NATIONWIDE BUILDING SOCIETY

(incorporated in England and Wales under the UK Building Societies Act 1986, as amended)

$25,000,000,000

Senior Preferred, Senior Non-Preferred and Subordinated Medium-Term Notes

Due Twelve Months or More from Date of Issue

We, Nationwide Building Society (the "**Issuer**" or the "**Society**"), may issue at various times up to $25,000,000,000 aggregate principal amount outstanding at any time of senior preferred, senior non-preferred or subordinated medium-term notes denominated in U.S. dollars or in other currencies or composite currencies. The notes will be issued in series and each series will be the subject of final terms (each "**Final Terms**"). We are privately placing the notes on a delayed or continuous basis to the placement agents named below (the "**Placement Agents**") or through the Placement Agents to qualified institutional buyers as described in this Base Prospectus under the section entitled "*Plan of Distribution*."

This Base Prospectus has been approved as a base prospectus by the UK Financial Conduct Authority (the "**FCA**"), as competent authority under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") (the "**UK Prospectus Regulation"**). The FCA only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the issuer or the quality of the notes that are the subject of this Base Prospectus and investors should make their own assessment as to the suitability of investing in the notes.

See the section entitled "*Risk Factors*" herein for a discussion of certain risks that you should consider prior to making an investment in any notes.

Application has been made to the FCA for such notes issued during the period of twelve months after the date hereof to be admitted to the Official List of the FCA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such notes to be admitted to trading on the London Stock Exchange's main market. The London Stock Exchange's main market is a UK regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the EUWA ("**UK MiFIR**").

This Base Prospectus is valid for 12 months from its date in relation to the notes which are to be admitted to trading on a regulated market (as defined in UK MiFIR) in the UK (as defined in Financial Services and Markets Act 2000, as amended ("**FSMA**"). The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

By its acquisition of any note, each noteholder (including each beneficial owner) acknowledges and accepts that the Amounts Due arising under any and all notes may be subject to the exercise of the UK Bail-in Power by the Resolution Authority, and acknowledges, accepts, consents, and agrees to be bound by: (a) the effect of the exercise of the UK Bail-in Power by the Resolution Authority, that may include and result in (without limitation) any of the following, or some combination thereof: (i) the reduction of all, or a portion, of the Amounts Due; (ii) the conversion of all, or a portion, of the Amounts Due on the notes into shares, deferred shares (including core capital deferred shares), other securities or other obligations of the Issuer or another person (and the issue to or conferral on the noteholder of such shares, deferred shares (including core capital deferred shares), securities or obligations), including by means of an amendment, modification or variation of the terms of the notes; (iii) the cancellation of the notes; and/or (iv) the amendment or alteration of the maturity of the notes or amendment of the amount of interest payable on the notes, and/or the date on which the interest becomes payable, including by suspending payment for a temporary period; and (b) the variation of the terms of the notes and the Indenture, if necessary, to give effect to the exercise of the UK Bail-in Power by the Resolution Authority.

For the purposes of any note, "**Amounts Due**" means the principal amount of, and any accrued but unpaid interest on, such notes. References to such amounts will include (but will not be limited to) amounts that have become due and payable, but which have not been paid, prior to the exercise of the UK Bail-in Power by the Resolution Authority; "**Resolution Authority**" means the Bank of England or any successor or replacement thereto and/or such other authority in the UK with the ability to exercise the UK Bail-in Power; and "**UK Bail-in Power**" means any write-down, conversion, transfer, modification, moratorium and/or suspension power (including, without limitation, any write-down or conversion powers which may be exercised by the Resolution Authority independently of resolution proceedings) existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, building societies, financial holding companies, mixed financial holding companies, credit institutions and/or investment firms (and/or any group company of any of the foregoing) incorporated in the UK in effect and applicable in the UK to the Issuer or other members of our group, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a resolution regime in the United Kingdom under the Banking Act 2009 and/or the Loss Absorption Regulations (as defined herein), in each case as amended from time to time.

By purchasing the notes, each noteholder (including each beneficial owner) waives any and all claims against The Bank of New York Mellon, London Branch, as trustee, for, agrees not to initiate a suit against the trustee in respect of, and agrees that the trustee will not be liable for, any action that the trustee takes, or abstains from taking, in either case in accordance with the exercise of the UK Bail-in Power by the relevant UK resolution authority with respect to any note.

The notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or any state securities laws, and we are only offering notes outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act ("**Regulation S**") and within the United States to qualified institutional buyers (as defined in Rule 144A under the Securities Act ("**Rule 144A**")) in reliance on Rule 144A or in other transactions exempt from registration under the Securities Act and, in each case, in compliance with applicable securities laws.

In the United Kingdom, this communication is directed only at persons who (i) have professional experience in matters relating to investments or (ii) are persons falling within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons together being referred to as "**relevant persons**"). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons.

Each initial and subsequent purchaser of a note will be deemed, by its acceptance or purchase thereof, to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer of such note, as described in this Base Prospectus, and, in connection therewith, may be required to provide confirmation of its compliance with such resale or other transfer restrictions in certain cases. See the section entitled "*Transfer Restrictions*" for a further description of these restrictions.

One or more Placement Agents may purchase notes, as principal, from us for resale to investors and other purchasers at varying prices relating to prevailing market prices as determined by any such Placement Agent at the time of resale or, if so agreed, at a fixed offering price. We reserve the right to cancel or modify the medium-term note program described in this Base Prospectus without notice. We, or a Placement Agent if it solicits an offer on an agency basis, may reject any offer to purchase notes in whole or in part. For further information, see the section entitled "*Plan of Distribution*."

The Placement Agents expect to deliver the notes in book-entry form only through the facilities of The Depository Trust Company ("**DTC**"). Beneficial interests in the notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants, including Clearstream Banking, S.A., and Euroclear Bank SA/NV.

The rating of certain series of notes to be issued under the medium-term note program described in this Base Prospectus may be specified in the applicable Final Terms. Each of Moody's Investors Service Limited ("**Moody's**"), S&P Global Ratings UK Limited ("**S&P**") and Fitch Ratings Ltd. ("**Fitch**") are established in the UK and are registered in accordance with Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). None of Moody's, S&P or Fitch is established in the EEA and they have not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). Accordingly, the ratings issued by Moody's, S&P and Fitch have been endorsed by Moody's Deutschland GmbH, S&P Global Ratings Europe Limited and Fitch Ratings Ireland Limited respectively in accordance with the CRA Regulation and have not been withdrawn. Each of Moody's Deutschland GmbH, S&P Global Ratings Europe Limited and Fitch Ratings Ireland Limited is established in the EEA and registered under the CRA Regulation. As such each of Moody's Deutschland GmbH, S&P Global Ratings Europe Limited and Fitch Ratings Ireland Limited is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation.

Notes issued under the program may be rated or unrated by any one or more of the rating agencies referred to above. Where a tranche of notes is rated, such rating will be disclosed in the Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Amounts payable on Reset Notes and Floating Rate Notes will be calculated by reference to one of the Constant Maturity Treasury Rate, EURIBOR, the Federal Funds Rate, SONIA, SOFR, the Prime Rate or the Treasury Rate as specified in the relevant Final Terms. The applicable Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 of the Regulation (EU) No. 2016/1011 as it forms part of domestic law by virtue of the EUWA (the "**UK Benchmarks Regulation**"). Transitional provisions in the UK Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the Final Terms. The registration status of any administrator under the UK Benchmarks Regulation is a matter of public record and, save where required by applicable law, we do not intend to update the Final Terms to reflect any change in the registration status of the administrator.

BARCLAYS
BOFA SECURITIES
CITIGROUP
CREDIT SUISSE
DEUTSCHE BANK SECURITIES
GOLDMAN SACHS & CO. LLC
HSBC
J.P. MORGAN
MORGAN STANLEY
NATWEST MARKETS
RBC CAPITAL MARKETS
UBS INVESTMENT BANK
WELLS FARGO SECURITIES

The date of this Base Prospectus is June 26, 2023.

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NOTICE TO INVESTORS

We are furnishing this Base Prospectus in connection with an offering exempt from registration under the Securities Act and applicable state securities laws solely for the purpose of enabling a prospective investor to consider the purchase of the notes. Delivery of this Base Prospectus to any person or any reproduction of this Base Prospectus, in whole or in part, without our consent is prohibited. The information contained in this Base Prospectus has been provided by us and other sources identified in this Base Prospectus. The source of third-party information is identified where used. Any information provided by a third-party has been accurately reproduced and as far as we are aware and are able to ascertain from information published by that third-party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Placement Agents or their respective representatives make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Base Prospectus, nor regarding the legality of any investment in the notes. None of the information contained in this Base Prospectus is, or should be relied upon as, a promise or representation by the Placement Agents. You should be aware that since the date of this Base Prospectus there may have been changes in our affairs or otherwise that could affect the accuracy or completeness of the information set forth in this Base Prospectus.

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Documents Incorporated by Reference*"), the information on the websites to which this Base Prospectus refers does not form part of this Base Prospectus and has not been scrutinized or approved by the FCA.

The notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption from registration. You should be aware that you may be required to bear the financial risk of an investment in the notes for an indefinite period of time.

You must comply with all applicable laws and regulations in force in any jurisdiction in connection with the distribution of this Base Prospectus and the offer or sale of the notes. If you decide to invest in the notes, you and any subsequent purchaser will be deemed, by acceptance or purchase of a note, to have made certain acknowledgements, representations and agreements to and with us and any applicable Placement Agent intended to restrict the resale or other transfer of the note as described in this Base Prospectus. In addition, you and any subsequent purchaser may be required to provide confirmation of compliance with resale or other transfer restrictions in certain cases. See the section entitled "*Transfer Restrictions*" for more information on these restrictions.

In making your decision whether to invest in the notes, you must rely on your own examination of us and the terms of this offering, including the merits and risks involved. You should not construe the contents of this Base Prospectus as legal, business, financial advice or tax advice. You should consult your own attorney, business advisor, financial advisor or tax advisor.

MiFID II product governance / target market – The Final Terms in respect of any notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the notes and which channels for distribution of the notes are appropriate. Any person subsequently offering, selling or recommending the notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue of notes about whether, for the purpose of the MiFID II Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID II Product Governance Rules**"), any Placement Agent subscribing for any notes is a manufacturer in respect of such notes, but otherwise neither the Arranger nor the Placement Agents nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID II Product Governance Rules.

UK MiFIR product governance / target market – The Final Terms in respect of any notes will include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the notes and which channels for distribution of the notes are appropriate. Any person subsequently offering, selling or recommending the notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Placement Agent subscribing for any notes is a manufacturer in respect of such notes, but otherwise neither the Arranger nor the Placement Agent nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

IMPORTANT – EEA RETAIL INVESTORS – If the Final Terms in respect of any notes includes a legend entitled "*Prohibition of sales to EEA retail investors*", the notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**EU PRIIPs Regulation**") for offering or selling the notes or otherwise making them available to retail investors in the EEA has been or will be prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS – If the Final Terms in respect of any notes includes a legend entitled "*Prohibition of sales to UK Retail Investors*", the notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

This Base Prospectus has been prepared on the basis that if any notes are issued with a minimum denomination of less than €100,000 (or equivalent in another currency), such notes will (i) only be admitted to trading on a regulated market (as defined in UK MiFIR), or a specific segment of a regulated market, to which only qualified investors (as defined in the UK Prospectus Regulation) can have access (in which case they shall not be offered or sold to non-qualified investors) or (ii) only be offered to the public pursuant to an exemption under section 86 of the FSMA.

UK BENCHMARKS REGULATION – Interest and/or other amounts payable under the notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of the UK Benchmarks Regulation. If any such reference rate does constitute such a benchmark, the applicable Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 of Regulation (EU) No. 2016/1011 as it forms part of domestic law by virtue of the EUWA (the "**UK Benchmarks**

Regulation"). Transitional provisions in the UK Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the Final Terms. The registration status of any administrator under the UK Benchmarks Regulation is a matter of public record and, save where required by applicable law, we do not intend to update the Final Terms to reflect any change in the registration status of the administrator.

Each potential investor in any notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant notes, the merits and risks of investing in the relevant notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant notes and be familiar with the behavior of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial advisor) to evaluate how the notes will perform under changing conditions, the resulting effects on the value of such notes and the impact this investment will have on the potential investor's overall investment portfolio.

The notes have not been approved or disapproved by the U.S. Securities and Exchange Commission or any state or foreign securities commission or any regulatory authority. The foregoing authorities have not confirmed the accuracy or determined the adequacy of this Base Prospectus. Any representation to the contrary is a criminal offense.

You should direct any inquiries that you have relating to us, this Base Prospectus or the medium-term note program described in this Base Prospectus to the Placement Agents.

Nationwide Building Society accepts responsibility for the information contained in this Base Prospectus, and to the best of its knowledge the information contained in this Base Prospectus is in accordance with the facts and this Base Prospectus makes no omission likely to affect its import.

In connection with the issue of any tranche of notes, one or more relevant Placement Agents acting as the stabilizing manager(s) (or persons acting on behalf of any stabilizing manager(s)) 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, stabilization may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant tranche of 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 relevant tranche of notes and 60 days after the date of the allotment of the relevant tranche of notes. Any

stabilization action or over-allotment must be conducted by the relevant stabilizing manager(s) (or persons acting on behalf of any stabilizing manager(s)) in accordance with all applicable laws and rules.

INTERPRETATION

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

NOTICE TO CANADIAN INVESTORS

The notes may be sold only to purchasers in Canada purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Base Prospectus or any applicable supplement (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

If applicable, pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("**NI 33-105**"), the Placement Agents are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

SINGAPORE: SECTION 309B(1)(C) NOTIFICATION

In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as amended or modified from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), we have determined, unless otherwise specified before an offer of notes, and hereby notify all relevant persons (as defined in Section 309A(1) of the SFA), the classification of all the notes to be issued under the medium-term note program described in this Base Prospectus as "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).

FORWARD-LOOKING STATEMENTS

This Base Prospectus contains projections of some financial data and discloses plans and objectives for the future. This forward-looking information, as defined in the United States Private Securities Litigation Reform Act of 1995, reflects our views regarding future events and financial performance.

The words "believe," "expect," "anticipate," "intend" and "plan" and similar expressions identify forward-looking statements. We caution you not to place undue reliance on these forward-looking statements, which in any event speak only as of the date of this Base Prospectus. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The risk factors beginning on page 22 of this Base Prospectus and many other factors could cause actual events and results to differ materially from historical results or those anticipated. See the sections entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Description of Business*."

PRIVATE PLACEMENT OF MEDIUM-TERM NOTES

We have appointed Barclays Capital Inc., BofA Securities, Inc., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., Goldman Sachs & Co. LLC, HSBC Securities (USA) Inc., J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, NatWest Markets Securities Inc., RBC Capital Markets, LLC, UBS Securities LLC and Wells Fargo Securities, LLC as Placement Agents for the offering, from time to time, of the notes. We will limit the aggregate principal amount of the notes to $25,000,000,000, or the equivalent of that amount in one or more other currencies or composite currencies, outstanding at any time, subject to increase without the consent of the holders of the notes. We have not registered, and will not register, the notes under the Securities Act and purchasers of the notes may not offer or sell them in the United States or to, or for the account or benefit of, U.S. persons as defined in Regulation S except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The notes will be offered in the United States only to qualified institutional buyers, as defined in Rule 144A, in transactions exempt from registration under the Securities Act. The notes may be offered outside the United States to non-U.S. persons in accordance with Regulation S. We hereby notify you that the sellers of the notes, other than ourselves, may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

You may not transfer notes sold in the United States, except in accordance with the restrictions described under the section entitled "*Transfer Restrictions*" of this Base Prospectus. We will deem each purchaser of the notes in the United States to have made the representations and agreements contained in this Base Prospectus.

We may issue additional notes of any series having identical terms to that of the original notes of that series but for the original issue discount (if any), the first interest payment date, the first interest accrual date, and the offering price. The period of the resale restrictions applicable to any notes previously offered and sold in reliance on Rule 144A shall automatically be extended to the last day of the period of any resale restrictions imposed on any such additional notes.

We will furnish each initial purchaser of the notes with a copy of this Base Prospectus and each applicable amendment and supplement, including the Final Terms to the Base Prospectus describing the terms related to that series of the medium-term notes. Unless the context otherwise requires, references to the Base Prospectus include this Base Prospectus, together with any amendment and supplements applicable to a particular series of the notes.

ENFORCEMENT OF CIVIL LIABILITIES

We are a building society incorporated under the laws of England and Wales. All of our directors and some of the experts named in this Base Prospectus reside outside the United States. All or a substantial portion of our assets and the assets of these individuals are located outside the United States. As a result, it may not be possible for you to effect service of process within the United States upon these individuals or upon us or to enforce against them judgments obtained in U.S. courts based upon the civil liability provisions of the U.S. securities laws. Our English solicitors, Allen & Overy LLP, have advised us that there is also doubt as to the enforceability in the United Kingdom in original actions or in actions for the enforcement of judgments of U.S. courts predicated upon the civil liability provisions of the U.S. securities laws. In addition, awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in the United Kingdom.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents have previously been published or are published simultaneously with this Base Prospectus and shall be deemed to be incorporated in, and form part of, this Base Prospectus:

(1) our audited consolidated financial statements as of and for the year ended April 4, 2023 and the auditors' report thereon (contained on pages 219 to 317 (inclusive) of our annual report for the year ended April 4, 2023)

(2) our audited consolidated financial statements as of and for the year ended April 4, 2022 and the auditors' report thereon (contained on pages 218 to 321 (inclusive) of our annual report for the year ended April 4, 2022);

(3) our audited consolidated financial statements as of and for the year ended April 4, 2021 and the auditors' report thereon (contained on pages 227 to 325 (inclusive) of our annual report for the year ended April 4, 2021); and

(4) the Terms and Conditions of the Notes (previously the Description of the Notes) contained in the previous base prospectuses dated July 6, 2015, pages 164-198 (inclusive), June 23, 2016, pages 156-191, June 30, 2017, pages 170-205 (inclusive), December 20, 2017, pages 218-263 (inclusive), June 26, 2018, pages 193-242 (inclusive), December 18, 2018, pages 216-266 (inclusive), June 25, 2019, pages 201-253 (inclusive), December 20, 2019, pages 216-268 (inclusive), August 19, 2020, pages 208 – 267 (inclusive), and January 7, 2021, pages 232-293 (inclusive), June 29, 2021, pages 219-281 (inclusive), December 10, 2021, pages 240-301 (inclusive) and June 24, 2022, pages 201-262 (inclusive).

in each case prepared by us in connection with the program and available at https://www.nationwide.co.uk/about/investor-relations/funding-programmes/us-mtn-programme.

Any further information incorporated by reference into the documents indicated in (1) – (4) above does not form part of this Base Prospectus.

Following the publication of this Base Prospectus a supplement may be prepared by us and approved by the FCA in accordance with Article 23 of the UK Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus.

We will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included or incorporated by reference in this Base Prospectus which is capable of affecting the assessment of any notes, prepare a supplement to this Base Prospectus or publish a new prospectus for use in connection with any subsequent issue of notes.

The table below sets out the relevant page references for our audited consolidated financial statements for the years ended April 4, 2023, 2022 and 2021 and the auditor's reports thereon.

Audited consolidated annual financial statements as of and for the year ended April 4, 2023	
Independent Auditors' Report	Pages 220
Income statement	Page 234
Statement of comprehensive income	Page 235
Balance sheet	Page 236
Statement of movements in members' interests and equity	Pages 237
Cash flow statement	Page 239
Notes to the consolidated annual financial statements	Pages 240

Audited consolidated annual financial statements as of and for the year ended April 4, 2022	
Independent Auditors' Report	Pages 218-231
Income statement	Page 232
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Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

PRESENTATION OF FINANCIAL INFORMATION

The financial information included in this Base Prospectus as of and for the years ended April 4, 2023, 2022 and 2021 has been extracted from our audited consolidated financial statements prepared in accordance with the International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board, as adopted by the European Commission for use in the European Union (the "**EU**").

The consolidated financial statements as of and for the years ended April 4, 2023, April 4, 2022 and April 4, 2021 have been audited by Ernst & Young LLP, independent auditors, as stated in their reports incorporated by reference herein.

We have made rounding adjustments to reach some of the figures included in this Base Prospectus. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

Unless otherwise indicated, all references in this Base Prospectus to "**pounds sterling**," "**sterling**" and "**£**" are to the lawful currency of the United Kingdom, all references to "**U.S. dollars**," "**dollars**," "**USD**" and "**$**" are to the lawful currency of the United States, all references to "**Canadian dollars**" or "**C$**" are to the lawful currency of Canada and all references to "**euro**," "**EUR**" or "**€**" are to the single currency of the participating Member States of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.

Alternative performance measures and other non-IFRS financial information

Alternative performance measures

This Base Prospectus includes certain financial information which has not been prepared in accordance with IFRS and which also constitutes Alternative Performance Measures ("**APMs**") as defined in the European Securities and Markets Authority Guidelines on Alternative Performance Measures. Certain APMs are discussed below under "*—Underlying profit before tax*" and are also identified under "*—Selected ratios and other financial data*" in "*Selected Consolidated Financial and Operating Information*" and in "*Selected Statistical Information*". None of this financial information is subject to any audit or review by independent auditors.

APMs are not a measure of financial performance under IFRS and should not be considered in isolation or as a substitute for operating profit, cash flow from operating activities or other financial measures of our results of operations or liquidity computed in accordance with IFRS. Other companies, including those in financial services industry, may calculate the APMs presented differently from Nationwide. As all companies do not calculate these APMs in the same manner, our presentation of the APMs may not be comparable to other similarly titled APMs presented by other companies.

Total underlying income

Certain sections of this Base Prospectus, including "*Selected Consolidated Financial and Operating Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", discuss total underlying income, which is not a measure of financial performance under IFRS and which is an APM. In determining total underlying income, we take the sum of net interest income and net other income. Accordingly, the purpose of disclosing total underlying income is to present our view of our underlying performance with like for like comparisons of performance across each financial year. However, total underlying income is not a measure of financial performance under IFRS and should not be considered in isolation or as a substitute for operating profit, cash flow from operating activities or other financial measures of our results of operations or liquidity computed in accordance with IFRS. Other companies, including those in our industry, may also calculate underlying financial performance measures differently from Nationwide. As all companies do not calculate these financial measures in the same manner, our presentation of such financial measures may not be comparable to other similarly titled measures of other companies.

Underlying profit before tax

Certain sections of this Base Prospectus, including "*Selected Consolidated Financial and Operating Information*" and in "*Selected Statistical Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", discuss underlying profit before tax, which is not a measure of financial performance under IFRS and which is an APM. In determining underlying profit before tax, we adjust reported profit before tax for certain items which we regard as subject to one-off volatility or as otherwise not being reflective of our ongoing business activities. These items are the costs of the Financial Services Compensation Scheme (the "**FSCS**"), bank levy charges and transformation costs (each of which is added back to reported underlying profit before tax) and losses or gains from derivatives and hedge accounting (which are respectively added to or deducted from reported underlying profit before tax). Accordingly, the purpose of disclosing underlying profit before tax is to present our view of our underlying performance with like for like comparisons of performance across each financial year. However, underlying profit before tax is not a measure of financial performance under IFRS and should not be considered in isolation or as a substitute for operating profit, cash flow from operating activities or other financial measures of our results of operations or liquidity computed in accordance with IFRS. Other companies, including those in our industry, may also calculate underlying financial performance measures differently from Nationwide. As all companies do not calculate these financial measures in the same manner, our presentation of such financial measures may not be comparable to other similarly titled measures of other companies.

The following table sets out a reconciliation of reported profit before tax to underlying profit before tax for the three years ended April 4, 2023, 2022 and 2021.

Underlying and statutory results	**For the year ended April 4,**		
	2023	**2022**	**2021**
		(*£ million*)	
Net interest income	4,498	3,562	3,146
Net other income	175	305	139
Total underlying income	**4,673**	**3,867**	**3,285**
Underlying administrative expenses	(2,323)	(2,234)	(2,218)
Impairment release/(charge) on loans and advances to customers	(126)	27	(190)
Provisions for liabilities and charges	9	(56)	(87)
Underlying profit before tax	**2,233**	**1,604**	**790**
Financial Services Compensation Scheme (FSCS)[(1)]	—	—	(1)
(Losses) /gains from derivatives and hedge accounting[(1) (2)]	(4)	(7)	34
Statutory profit before tax	**2,229**	**1,597**	**823**
Taxation	(565)	(345)	(205)
Profit after tax	**1,664**	**1,252**	**618**

Notes:

(1) Within statutory profit:
- FSCS costs arising from institutional failures are included within provisions for liabilities and charges.
- Gains from derivatives and hedge accounting are presented separately within total income.

(2) Although we only use derivatives to hedge market risks, income statement volatility can still arise due to hedge accounting ineffectiveness or because hedge accounting is either not applied or is not achievable. This volatility is largely attributable to accounting rules which do not fully reflect the economic reality of the hedging strategy.

Net interest margin

Net interest margin is not a measure of financial performance under IFRS. In determining net interest margin, we divide our net interest income for each financial year (as shown in our consolidated annual financial

statements) by our weighted average total assets. Weighted average total assets are calculated by taking the average of closing monthly total assets over the financial year. We believe that net interest margin is an important supplemental measure of our operating performance and believes that it may be used by securities analysts, investors and other interested parties in the evaluation of our performance in comparison with other building societies and financial institutions. However, net interest margin is not a measure of financial performance under IFRS and should not be considered in isolation or as a substitute for operating profit, cash flow from operating activities or other financial measures of our results of operations or liquidity computed in accordance with IFRS. Other financial institutions may calculate net interest margin differently from Nationwide and our presentation of net interest margin may not be comparable to other similarly titled measures of other financial institutions.

The following table sets out the calculation of our net interest margin for the three years ended April 4, 2023, 2022 and 2021.

	For the year ended April 4,		
	2023	**2022**	**2021**
	(*£ million, except percentages*)		
Net interest income.....	4,498	3,562	3,146
Weighted average total assets..	285,610	281,872	260,500
Net interest margin.....	**1.57%**	**1.26%**	**1.21%**

Other APMs

The other APMs included in this document are certain ratios set out in "*Selected Consolidated Financial and Operating Information*" under the heading "*Selected ratios and other financial data*". Each ratio that constitutes an APM is identified as such in that section. These ratios have been included in this Base Prospectus because we consider them to be important supplemental measures of our operating performance and financial position and believe that they may be used by securities analysts, investors and other interested parties in the evaluation of our performance in comparison with other building societies and financial institutions.

Other non-IFRS financial information

Capital and leverage ratios

This Base Prospectus includes references to capital and leverage ratios applied under the UK prudential regulation regime (the "**UK Prudential Framework**") for banks and building societies, which derives in large part from the EU prudential framework set out under the Capital Requirements Directive (2013/36/EU) as amended ("**CRD**") and, the EU Capital Requirements Regulation (575/2013) as amended ("**CRR**", and together with the CRD, "**CRD IV**"), which implement the Basel III reforms developed in response to the global financial crisis in the European Union. The Society's prudential regulator is the Prudential Regulation Authority (the "**PRA**").

The CRD IV framework, as applicable in the EU as at the end of the transition period (December 31, 2020) relating to the UK's exit from the EU, has broadly been reflected in the United Kingdom, with CRR and related EU regulations (which had direct binding effect in the United Kingdom until expiration of the transition period) being retained as domestic UK law, with certain exceptions and adjustments, primarily through the European Union (Withdrawal) Act 2018, as amended, and ancillary legislation.

These capital and leverage ratios measure our capital adequacy and financial strength, respectively. The capital ratios comprise:

- the Common Equity Tier 1 capital ratio ("**CET1 ratio**"), which expresses Common Equity Tier 1 ("**CET1**") capital as a percentage of risk weighted assets ("**RWA**s"). CET1 capital is the highest form of capital defined in the CRR and comprises accumulated reserves and qualifying

instruments after regulatory deductions. RWAs represent the value of assets as adjusted in accordance with the CRR to reflect the degree of risk that they represent;

- the tier 1 capital ratio, which expresses total tier 1 capital as a percentage of RWAs. Tier 1 capital comprises CET1 capital and additional tier 1 ("**AT1**") capital instruments (which are instruments meeting defined criteria under the CRR, including that they convert to CET1 or their principal is written down on the occurrence of a trigger event); and

- the total capital ratio, which expresses total regulatory capital (which is capital defined under applicable regulations less required adjustments and deductions) as a percentage of RWAs.

Each of these capital ratios has been reported in this document on an end point basis under the UK Prudential Framework.

The leverage ratios measure tier 1 capital as a proportion of exposures on a non-risk weighted basis and comprise:

- the CRR leverage ratio (which measures exposures as the sum of (i) on-balance sheet exposures, adjusted for derivatives and securities financing exposures, and (ii) off-balance sheet items); and

- the leverage ratio (which is calculated in this document as at April 4, 2021, as at April 4, 2022 and as at April 4, 2023 on the basis of measurement announced by the PRA in October 2017, which is the same as that used in the CRR leverage ratio save that the exposure measure excludes eligible central bank reserves).

Although the capital and leverage ratios and measures included in this Base Prospectus are not IFRS measures, we believe that they are important to understanding the background of, and rationale for, the offer as well as our capital and leverage position.

None of the capital and leverage ratios and measures included in this Base Prospectus are APMs.

WHERE YOU CAN FIND MORE INFORMATION

Our audited consolidated financial statements are incorporated by reference in this Base Prospectus. We will not distribute these financial statements to holders of notes, but they are available on our website at https://www.nationwide.co.uk/about/corporate-information/results-and-accounts. Our website also includes information that is otherwise not included or referenced in this Base Prospectus.

As of the date of this Base Prospectus, we do not file reports or other information with the U.S. Securities and Exchange Commission. To preserve the exemption for resale and other transfers under Rule 144A, we have agreed to furnish the information required pursuant to Rule 144A(d)(4) of the Securities Act if a holder of notes, or a prospective purchaser specified by a holder of notes, requests such information. We will continue to provide such information for so long as we are neither subject to the reporting requirements of Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**") nor exempt from such reporting requirements pursuant to Rule 12g3-2(b) of the Exchange Act.

OVERVIEW

This overview highlights important information regarding, but is not a complete description of, our medium-term note program. We urge you to read the remainder of this Base Prospectus where we set out a description of our medium-term note program in more detail. You should also review the applicable Final Terms for additional information about the particular series of notes that you are considering purchasing. The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular tranche of notes, the applicable Final Terms.

*We may offer senior preferred notes, senior non-preferred notes or subordinated notes under the medium-term note program described in this Base Prospectus, depending on the terms of the applicable Final Terms for each series. In this Base Prospectus, when we refer to "**notes**" we mean any senior preferred notes, senior non-preferred notes or subordinated notes that we may issue under the medium-term note program described in this Base Prospectus, unless it is clear from the context that we mean otherwise. References to "**we**," "**us**," "**our**," "**Nationwide**," "**the Group**" or "**the Society**," mean Nationwide Building Society and its subsidiaries, all of which are consolidated, unless the context otherwise requires.*

Issuer	Nationwide Building Society. We are a building society incorporated in England and Wales under the Building Societies Act 1986 (as amended) of the United Kingdom (the "**UK Building Societies Act**"). Our core business is providing personal financial services, including residential mortgage loans, retail savings, general banking services, personal investment products, personal secured and unsecured lending and insurance. We operate through an integrated and diversified distribution network, including branches, automatic telling machines (the "**ATMs**"), call centers, mail and the internet. We have over 16 million members and customers. As a building society, we are a mutual organization managed for the benefit of our "**members**," who are primarily retail savings customers and residential mortgage customers.
Issuer Legal Entity Identifier (LEI) ...	549300XFX12G42QIKN82
Website of the Issuer:	https://www.nationwide.co.uk/ The information on https://www.nationwide.co.uk/ does not form part of this Base Prospectus, except where that information has otherwise expressly been incorporated by reference into this Base Prospectus.
Placement Agents.....	Barclays Capital Inc. BofA Securities, Inc. Citigroup Global Markets Inc. Credit Suisse Securities (USA) LLC Deutsche Bank Securities Inc. Goldman Sachs & Co. LLC HSBC Securities (USA) Inc. J.P. Morgan Securities LLC Morgan Stanley & Co. LLC NatWest Markets Securities Inc. RBC Capital Markets, LLC UBS Securities LLC Wells Fargo Securities, LLC

Trustee.....	The Bank of New York Mellon, London Branch (the "**Trustee**"). We entered into an indenture with the Trustee relating to the notes on December 19, 2017 (as supplemented and amended from time to time, the "**Indenture**").
Program Size	We may issue up to $25,000,000,000, or the equivalent of that amount in one or more other currencies or composite currencies, outstanding at any time. We may increase the program size from time to time without the consent of the holders of the notes.
Currencies	Subject to any applicable legal or regulatory restrictions, we may issue notes in any currency as we may agree with the relevant Placement Agent.
Issuance in Series	We may issue senior preferred notes, senior non-preferred notes and subordinated notes in series under an indenture. Within each series, we may issue tranches of notes subject to terms identical to those of other tranches in that series, except that the issue date, the issue price and the amount of the first payment of interest may vary.
Ranking of Senior Preferred Notes	The senior preferred notes will constitute our direct, unconditional, unsubordinated and, subject to the provisions set forth in the section entitled "*Terms and Conditions of the Notes* – Negative Pledge", unsecured obligations without any preference among themselves and will rank, subject to the provisions set forth in the section entitled "*Terms and Conditions of the Notes* – Negative Pledge", equally among themselves, junior to obligations required to be preferred by law (which includes certain member share accounts which are given preferential status by law) and at least equally with all other Ordinary Non-Preferential Debts of the Issuer. Accordingly, subject to the Insolvency Act (and any other Ranking Legislation), the senior preferred notes will (for so long as they are not secured pursuant to the provisions set forth in the section entitled "*Terms and Conditions of the Notes – Negative Pledge*") form part of the class of Ordinary Non-Preferential Debts of the Issuer under the Insolvency Act (and any other Ranking Legislation). As used herein: "**Hierarchy Order**" means The Banks and Building Societies (Priorities on Insolvency) Order 2018; "**Insolvency Act**" means the Insolvency Act 1986, as amended from time to time (including by the Hierarchy Order); "**Ordinary Non-Preferential Debts**" means 'ordinary non-preferential debts' as defined in Section 387A(3)(a) of the Insolvency Act (or, as the case may be, in the relevant section of any other Ranking Legislation); and "**Ranking Legislation**" means the Insolvency Act, the Hierarchy Order and, if and to the extent applicable to the Issuer, any other law or regulation which is amended by the Hierarchy Order.
Ranking of Senior Non-Preferred Notes	The senior non-preferred notes may only be issued upon terms such that they (A) have an original contractual maturity of at least one year, and (B) are not derivatives and contain no embedded derivatives for the purposes of Section 387A(3)(b)(ii) of the Insolvency Act (and the relevant section of any other Ranking Legislation).

	The senior non-preferred notes will constitute our direct and unsecured obligations and, subject to the Insolvency Act (and any other Ranking Legislation), will constitute Secondary Non-Preferential Debts under the Insolvency Act (and any other Ranking Legislation) ranking *pari passu* and without any preference among themselves. Accordingly, subject to the Insolvency Act (and any other Ranking Legislation), claims in respect of principal, interest and any other amount (including, without limitation, any damages awarded for breach of our obligations) in respect of the senior non-preferred notes will, in the event of our winding up or dissolution (subject as otherwise provided in an Excluded Dissolution), rank as provided for Secondary Non-Preferential Debts in the Insolvency Act (and any other Ranking Legislation), as further described in "*Terms and Conditions of the Notes—Status and ranking of senior non-preferred notes*". As used herein, "**Secondary Non-Preferential Debts**" means 'secondary non-preferential debts' as defined in Section 387A(3)(b) of the Insolvency Act (or, as the case may be, in the relevant section of any other Ranking Legislation).
Ranking of Subordinated Notes	The subordinated notes will constitute our direct, subordinated and unsecured obligations and will rank *pari passu* and without any preference among themselves. Accordingly, subject to the Insolvency Act (and any other Ranking Legislation), the subordinated notes will form part of the class of Tertiary Non-Preferential Debts under the Insolvency Act (and any other Ranking Legislation), and claims in respect of principal, interest and any other amount (including, without limitation, any damages awarded for breach of our obligations) in respect of the subordinated notes will, in the event of our winding up or dissolution (subject as otherwise provided in an Excluded Dissolution), be subordinated in the manner provided in "*Terms and Conditions of the Notes—Status and subordination of subordinated notes*". As used herein, "**Tertiary Non-Preferential Debts**" means 'tertiary non-preferential debts' as defined in Section 387A(3)(c) of the Insolvency Act (or, as the case may be, in the relevant section of any other Ranking Legislation).
Waiver of set-off……..	Subject to applicable law, no holder of any senior non-preferred note or subordinated note nor the Trustee may exercise or claim any right of set-off in respect of any amount owed to it from us arising under or in connection with the senior non-preferred notes or the subordinated notes, and each noteholder shall, by virtue of its being the holder of (or the holder of any interest in) any senior non-preferred note or subordinated note, be deemed to have waived all such rights of set-off.
Issue Price	We may offer notes at par or at a premium or discount to par as specified in the applicable Final Terms.
Maturities	The notes will mature in twelve months or longer as specified in the applicable Final Terms.
Redemption at Maturity	Subject to any purchase or early redemption, the notes will be redeemed at par on the maturity date.

Early Redemption.....	We are permitted to redeem the notes prior to maturity for taxation reasons and as specified in the applicable Final Terms. We are also permitted to redeem subordinated notes in the event that they cease, in full or in part (as specified in the applicable Final Terms), to qualify towards meeting our Tier 2 capital resources. If so specified in the applicable Final Terms, we are also permitted to redeem senior non-preferred notes in the event that they are excluded, in full or in part (as specified in the applicable Final Terms), from our minimum requirements (whether on an individual or consolidated basis) for (A) own funds and eligible liabilities and/or (B) loss absorbing capacity instruments. Additionally, the applicable Final Terms may provide that the notes of a series are redeemable at our option and/or the option of the holder.
Substitution and Variation in respect of Senior Non-Preferred Notes.....	If so specified in the applicable Final Terms, upon the occurrence of a Loss Absorption Disqualification Event we may, subject to certain conditions but without the consent of the noteholders, either substitute all (but not some only) of the relevant series of senior non-preferred notes for, or vary the terms of the relevant series of senior non-preferred notes so that they remain or, as appropriate, become, Loss Absorption Compliant Notes.
Agreement with Respect to the Exercise of UK Bail-in Power.....	Notwithstanding, and to the exclusion of, any other term of any notes or any other agreements, arrangements or understandings between the Issuer and any noteholder (or the Trustee on behalf of any noteholder), by its acquisition of any note (or any interest therein), each noteholder acknowledges and accepts that the amounts due arising under the notes may be subject to the exercise of the UK Bail-in Power, and acknowledges, accepts, consents, and agrees to be bound by the effect of the exercise of the UK Bail-in Power by the Resolution Authority, all in accordance with, and as more fully described in, section "*—Agreement with Respect to the Exercise of UK Bail-in Power*".
Repayment of principal and payment of interest after exercise of UK Bail-in Power	No repayment of the principal amount of the notes or payment of interest on the notes will become due and payable after the exercise of any UK Bail-in Power by the relevant UK resolution authority unless, at the time that such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by us after the exercise of such UK Bail-in Power.
Interest.....	Interest may accrue at a fixed rate or a floating rate. The floating rate may be determined by reference to a base rate, such as SOFR or SONIA, as we agree with the purchaser and describe in the applicable Final Terms.
Reset Notes	Interest on reset notes will be payable in arrear on the dates specified in the Final Terms at the initial rate specified in the Final Terms, and thereafter the rate may be reset with respect to a specified time period by reference to the Reset Reference Rate as described in "*Terms and Conditions of the Notes–Interest–Reset Notes*". The rate of interest may be reset on more than one occasion.
Benchmark discontinuation.....	If so specified in the applicable Final Terms, then in the event that a Benchmark Event or Benchmark Transition Event (as applicable) occurs, such that any rate of interest (or any component part thereof) cannot be determined by reference to the original benchmark or screen rate (as applicable) specified in the applicable Final Terms, then we may (subject to certain conditions) be permitted to

	substitute such benchmark and/or screen rate (as applicable) with a successor, replacement or alternative benchmark and/or screen rate (with consequent amendment to the terms of the notes and the application of an adjustment spread (which could be positive, negative or zero)) – see "*Terms and Conditions of the Notes–Interest–Benchmark discontinuation*".
Interest Payments	We may pay interest monthly, quarterly, semi-annually, annually or at such other intervals as we describe in the applicable Final Terms.
Denominations	We will issue the senior preferred notes and senior non-preferred notes in minimum denominations of $200,000 and the subordinated notes in minimum denominations of $250,000 or, in each case, in integral multiples of $1,000 in excess of these minimum denominations, or the equivalent of these amounts in other currencies or composite currencies, and in any other denominations in excess of the minimum denominations as we specify in the applicable Final Terms.
Taxation	All payments in respect of the notes will be made without deduction for or on account of United Kingdom withholding taxes, unless the withholding is required by law. In that event, we will (subject to certain exceptions as described in "*Terms and Conditions of the Notes–Payment of additional amounts*") pay such additional amounts: (i) in the case of all senior preferred notes, in respect of interest or principal; or (ii) in the case of all subordinated notes and senior non-preferred notes, in respect of interest only, as will result in the holder of any notes receiving such amounts as they would have received in respect of the notes had no such withholding been required. For the avoidance of doubt, in the case of subordinated notes and senior non-preferred notes, we will not pay any additional amounts in respect of principal (including premium and other payments akin to principal, as more fully described herein).
Events of Default.....	As described in "*Terms and Conditions of the Notes—Events of Default—Senior Preferred Notes"* and "*Terms and Conditions of the Notes—Events of Default—Subordinated Notes and Senior Non-Preferred Notes*".
Rating.....	The rating of certain series of notes to be issued under the program may be specified in the applicable Final Terms.
Form, Clearance and Settlement	Notes of a series will initially be represented by a global note or global notes in fully registered form ("**Global Notes**"). Notes offered in the United States to qualified institutional buyers in reliance on Rule 144A will be represented by one or more U.S. global notes ("**U.S. Global Notes**") and notes offered outside the United States in reliance on Regulation S will be represented by one or more international global notes ("**International Global Notes**"). The Global Notes will be issued in fully registered form and, unless specified in any applicable Final Terms, will be held by or on behalf of DTC for the benefit of participants in DTC. No temporary documents of title will be issued.

	Notes will bear a legend setting forth transfer restrictions and may not be transferred except in compliance with the transfer restrictions set forth therein. Transfers of interests from a U.S. Global Note to an International Global Note are subject to certification requirements.
Governing Law.....	The Indenture and the notes shall be governed by and construed in accordance with the laws of the State of New York; except that Section 11.1 of the Indenture (which contains the subordination provisions in respect of the subordinated notes) and Section 12.1 of the Indenture (which explains the priority of the senior non-preferred notes under the Insolvency Act and any other Ranking Legislation) and the corresponding subordination and ranking provisions, respectively, of each series of such notes pursuant to Section 3.1 of the Indenture and in the terms of such notes will be governed by and construed in accordance with the laws of England, with the intention that such provisions be given full effect in any insolvency proceeding relating to us in England.
Sales and Transfer Restrictions	We have not registered the notes under the Securities Act, and they may not be offered or sold within the United States or to or for the benefit of U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirement of the Securities Act. In addition, there are restrictions on the offer, sale and transfer of the Notes in the United Kingdom, the EEA, Australia, Canada, Hong Kong, Japan, Singapore and Switzerland, and there may be restrictions in other jurisdictions. See the section of this Base Prospectus "*Plan of Distribution*" below.
Listing	Application has been made to the FCA for the notes to be admitted to listing on the Official List. Application has also been made to the London Stock Exchange for the notes to be admitted to trading on the London Stock Exchange's main market.
Risk Factors.....	There are certain risks related to any issue of notes under the program, which investors should ensure they fully understand. See the section "*Risk Factors*" of this Base Prospectus.

RISK FACTORS

We believe that the following factors may affect our ability to fulfil our obligations under the notes. In addition, factors which are specific to the notes are also described below.

In purchasing notes, investors assume the risk that we may become insolvent or otherwise be unable to make all payments due in respect of the notes. There is a wide range of factors which individually or together could result in us becoming unable to make all payments due in respect of the notes. The following is a description of the principal risks associated with the notes and our business as of the date of this Base Prospectus; however, we do not represent that the risks set out in the statements below are exhaustive.

This section of the Base Prospectus is divided into four main sections—"Economic and Financial Risks", "Regulatory Risks", "Business and Operational Risks" and "Risks Related to the Notes."

1) Economic and Financial Risks

a) The UK economy

Our business and prospects are largely driven by the UK mortgage, savings and personal current account markets and the level of interest rates, which in turn are driven by the UK economy, the outlook for which is inherently uncertain. Consequently, we are subject to inherent risks arising from general economic conditions in the UK but also indirect risks arising from volatility in global financial markets in the Eurozone and elsewhere.

We offer a range of banking and financial products and services to UK retail customers with our business activities concentrated in the UK retail deposit and residential mortgage markets. Under current building society legislation, our ability to diversify our business is limited. Accordingly, a decline in the UK economy or the predominantly retail markets in which we operate could have a material adverse impact on our financial performance and business operations. We are also directly and indirectly subject to inherent risks arising from general economic conditions in the UK, global macro-economic conditions and geopolitical conditions in our economies, particularly the Eurozone.

Domestic and international conditions are subject to fluctuations which can adversely affect our operating performance, financial conditions and/or prospects, through a wide range of potential channels, including but not limited to; changes in unemployment levels, rates of inflation, level of interest rates, consumer confidence, the state of the UK housing market (including house prices), counterparty risk and the availability and cost of credit in wholesale and retail markets.

Such fluctuations can occur as a result of different types of shocks, which in recent years have included global financial crises, the Covid-19 pandemic and increased geopolitical tensions and conflict. Furthermore, potential sources of future shocks are many and varied and often difficult to foresee in advance.

Economic conditions may also be affected by long-term structural changes such as demographic shifts and/or climate change, as well as by changes to government or regulatory policies domestically or globally. The latter may include significant changes to monetary, fiscal or macro-prudential policies which could have a negative impact on our markets or wider economic conditions. Political uncertainty and/or significant changes to government policy could also affect our markets and/or wider economic prospects. For example, the UK's exit from the European Union is likely to have implications for the UK's trading relationships and wider economic performance for many years to come. These fluctuations, future shocks and long-term structural changes may have an adverse impact on our operating performance, financial conditions and/or prospects.

In addition, there has been significant market turbulence following the Government "mini-Budget" announcement in late September 2022. Sterling fell to all-time lows against the dollar while swap rates surged. The market volatility was triggered by investor unease at the prospect of large unfunded tax cuts that weaken the public finances and entail a significant increase in gilt supply at a time when the Bank of England is raising its

Bank Rate in response to high inflation and was due to start reducing the size of its balance sheet by selling government bonds.

Market conditions have improved following the change of prime minister, as the fiscal stimulus was pared back. However, market turbulence could re-emerge as the scope for policy errors is large and the political backdrop remains uncertain. The UK has a large current account deficit which is funded by attracting capital inflows, leaving the UK vulnerable to shifts in public sentiment. Investors may continue to attach risk premia to UK assets as a result of recent events and ongoing uncertainty. Market volatility, driven by the macro-economic environment, also has the potential to affect the cost and availability of wholesale funding for UK-based institutions. While a prudent approach continues to be taken in managing our liquidity and funding position, continued volatility may have an adverse impact on our financial performance and business operations.

There is also an increased risk that the UK sovereign may be downgraded by rating agencies, which could increase funding costs for lenders. If market interest rates remain elevated, economic activity is likely to be adversely impacted. As well as restraining demand, higher interest rates could damage the supply side of the economy. If demand and supply sides of the economy both deteriorate, inflation may not decline very much or very quickly, which may also mean that interest rates stay higher for longer and could have an adverse impact on our financial performance and business operations.

b) Credit Risk

The prevailing level of interest rates and the provision or withdrawal of other accommodative monetary and fiscal policies, which are impacted by factors outside of our control, including the fiscal and monetary policies of governments and central banks, as well as UK and international political and economic conditions, affect our results of operations, financial condition and return on capital. The Bank of England has started to tighten monetary policy in response to high inflation and a buoyant labor market. The Bank of England base rate of interest has been raised to 5.00% as of June 2023, an increase of 490 basis points since December 2021. Even though interest rates are at their highest since 2008, it is possible that the Bank of England may need to increase rates further to bring inflation back to target.

The relatively long period of stimulus measures in the UK and elsewhere has increased uncertainty over the impact of its reduction, which could lead to generally weaker than expected growth, or even contracting gross domestic product, reduced business confidence, higher levels of unemployment or under-employment, adverse changes to levels of inflation, potentially higher interest rates and falling property prices in the markets in which we operate, and consequently to an increase in delinquency rates and default rates among our customers. Moreover, higher prevailing interest rates would affect our cost of funding with depositors and creditors, which could adversely affect our profitability, to the extent our margins decline.

The personal financial services sector in the UK remains vulnerable to increases in unemployment, rising interest rates and/or falling house prices. Between 2009 and 2022, both variable and fixed interest rates have been at relatively low levels. Changes in the Bank Rate affect interest rates payable on a significant portion of our outstanding mortgage loan products over time. Rising interest rates would put pressure on borrowers whose loans are subject to a variable rate of interest, or who following a fixed rate period can only re-mortgage at a higher rate of interest. Such borrowers may experience financial stress in repaying at increased rates in the future, which ultimately may result in higher delinquency rates and losses in the future. Increased unemployment or underemployment could also lead to impacted borrowers being unable to service their loan repayments in a timely fashion, which would result in higher levels of arrears, thus increasing our impairment charges in respect of these portfolios. These events, alone or in combination, may contribute to higher delinquency rates and losses.

The value of the properties in our mortgage portfolio is also influenced by UK house prices, and a significant portion of our revenue is derived from interest and fees paid on our mortgage portfolio. A decline in house prices in the UK such as the recent fall in house prices could lead to a reduction in the recovery value of real estate assets held as collateral in the event of a customer default, and could lead to higher impairment provisions, which could reduce our capital and our ability to engage in lending and other income-generating activities. A significant increase in house prices over a short period of time could also have a negative impact on

our business by reducing the affordability of homes for buyers, which could lead to a reduction in demand for new mortgages. Sustained volatility in house prices could also discourage potential homebuyers from committing to a purchase, thereby limiting our ability to grow the residential mortgage portfolio.

In addition, we also have a significant portfolio of buy to let ("**BTL**") and legacy mortgages. The BTL market in the UK is predominantly dependent upon yields from rental income to support mortgage interest payments and capital gains from capital appreciation. Falling or flat rental rates and decreasing capital values, whether coupled with higher mortgage interest rates or not, could reduce the potential returns from BTL properties. Furthermore, if the UK government (the "**Government**") passes legislation that increases tax burdens or requires costly upgrades to BTL properties, such as proposed legislation that would increase Minimum Energy Efficiency Standards for BTL properties from E to C by 2028, it could reduce potential returns on certain BTL property investments. The Bank of England has also stated that it is considering increasing the regulatory capital requirements of banks holding BTL mortgages on their balance sheets, although no specific proposals have been made. Higher rates of stamp duty land taxes have gradually been implemented across the UK on the purchase of additional properties, with higher rates applying to persons not resident in the UK in certain circumstances. These factors, and any future changes resulting in higher rates, could make the purchase of BTL properties and/or second homes a less viable investment proposition and reduce the demand for related mortgages, which may also affect the resale value of relevant or similar properties. On June 16, 2022, the Government published a White Paper "A Fairer Private Rented Sector" which proposes certain changes in relation to the standard of rented housing, the ability of tenants to challenge rent increases and fetters on the ability of a landlord to terminate a rental agreement where the tenant is not in breach of the contractual terms. It remains to be seen whether the proposals change as they go through the legislative process and what impact that will have, if any, on the performance of our BTL portfolio and, consequently, on our business, financial condition or results of operations.

The Government's intervention into the housing market through buyer assistance schemes, changes to stamp duty thresholds, enforced or recommended payment holidays or other concessions or allowances on mortgage payments, or indirectly through measures that provide liquidity to the banking sector (as was the case with FLS, TFS and TFSME), may also contribute to volatility in house prices. This could occur, for example, as a result of the extension of funding scheme to the banking sector, which would maintain excess funding liquidity in the mortgage market which has supported a low mortgage interest rate environment, and which could lead to inflation in house prices.

A reduction in UK house prices, or other deterioration in economic conditions, may also have an adverse impact on our Common Equity Tier 1 ("**CET1**") ratio. The results of the concurrent stress testing undertaken by the Bank of England, available on the Bank of England's website, illustrate the impact that certain economic scenarios are projected to have on our capital position. However, existing published results do not include the impact of redeveloped "internal ratings based" (IRB) models following the PRA's updates to SS11/13 "IRB approaches" which came into effect from January 1, 2022. These included changes which aim to increase the consistency of IRB model approaches across different firms and, whilst leading to an increase in mortgage risk weights, will act to reduce the volatility of capital requirements across differing economic conditions.

In addition, the UK Financial Policy Committee ("**FPC**") took the decision on June 20, 2022 to withdraw its affordability test recommendation with effect from August 1, 2022. Although lenders are not required to make changes as a result of the withdrawal, this decision has changed our assessment of affordability in the medium term. We have maintained a robust process, taking account of the future view of interest rates across any fixed rate deal period, and have moved to revising this monthly. We have also included a future view of inflation into our assumptions around household expenditure.

The future impact of these initiatives on the UK housing market and other regulatory changes or Government programs is difficult to predict. Volatility in the UK housing market occurring as a result of these changes, or for any other reason, could have a material adverse effect on our business, financial condition or results of operations.

c) Liquidity and Funding

Retail depositors are a significant source of funding for us and, under current legislation, a minimum of 50.0% of our aggregate shares and borrowings (calculated in accordance with the UK Building Societies Act) is required to be in the form of deposits which we accept from members of the public and which are classified as "shares" in our balance sheet as they confer member status on the depositors. Our retail deposits classified as shares totaled £187 billion as at April 4, 2023, £178 billion as at April 4, 2022 and £170 billion as at April 4, 2021, equal to 73.4%, 69.4% and 73.2%, respectively, of our total shares and borrowings (for the purposes of the UK Building Societies Act) at each such date.

The ongoing availability of retail deposit funding is dependent on a variety of factors outside our control, such as:

- general economic conditions and market volatility;
- the general level of retail deposits in the economy;
- the confidence of retail depositors in the economy in general and in us in particular;
- contagion impact due to concerns about the financial conditions of other UK banks;
- the impact of technology and 'Open Banking' as further discussed in "—*Competition*" below
- the risk that significant portions of the UK savings and private current accounts market move to digital currencies such as the Bank of England's proposed Central Bank Digital Currency, as further discussed in "—*Competition*";
- the financial services industry specifically; and
- the availability and extent of deposit guarantees, such as under the FSCS.

The maintenance and growth of our lending activities depends in large part on the availability of retail deposit funding on appropriate terms. Increases in the cost of such funding could have a negative impact on our margins and profit. These or other factors could lead to a reduction in our ability to access retail deposit funding on appropriate terms in the future.

Like all major financial institutions, we are also dependent on the short- and long-term wholesale funding markets for liquidity. Though our dependence on wholesale funding is less than other financial institutions, due to the requirements of current building society legislation, our business is subject to risks concerning liquidity, which are inherent in financial institutions' operations. If access to liquidity is constrained for a prolonged period of time, this could affect our profitability.

Under exceptional circumstances, our ability to fund our financial obligations could be negatively impacted if we are unable to access funding on commercially practicable terms, or at all. We expect to have sufficient liquidity to meet our funding requirements in a market-wide stress scenario. However, under extreme and unforeseen circumstances a prolonged and severe restriction on our access to liquidity (including as a result of the withdrawal of government and central bank funding and liquidity support, or a change in the structure, term or cost of any such funding or liquidity support) could increase our cost of funding, resulting in a material adverse effect on our profitability or results of operations. Further, such circumstances could affect our ability to meet our financial obligations as they fall due, meet our regulatory minimum liquidity requirements, or fulfil our commitments to lend.

These risks could be exacerbated by many enterprise-specific factors, including an over-reliance on a particular source of funding, changes in credit ratings, or market-wide phenomena such as market dislocation and major disasters. There is also a risk that the funding structure employed by us may prove to be inefficient, giving rise to a level of funding cost that is not sustainable in the long term for us to grow our business or even maintain it at current levels. Our ability to access retail and wholesale funding sources on satisfactory economic terms is

subject to a variety of factors outside of our control, such as general market conditions, regulatory requirements and loss of confidence in the UK banking system.

The Government has in recent years provided significant support to UK financial institutions. The continuation and extension of Government schemes designed to support lending may increase or perpetuate competition in the retail lending market, resulting in sustained or intensifying downward pricing pressures and consequent reductions in net interest margins. We also expect to face continued competition in the retail lending market driven by certain ring-fenced banks as they deploy surplus liquidity in lending markets.

We expect to face continuing competition for funding, particularly retail funding on which we are reliant, in the future. Deposit market competition is being driven by smaller lenders with largely non-mortgage loan books whose high asset yields enable them to offer attractive deposit rates. These potential pressures could be exacerbated over time once the sector seeks to replace the funding it obtains from the Bank of England funding schemes. This competition could further increase, impacting our funding costs and adversely affecting our financial position.

In addition to the factors mentioned above, if sentiment towards banks, building societies and/or other financial institutions operating in the United Kingdom, including us, were to deteriorate, or if our ratings and/or the ratings of the sector were to be adversely affected, this may have a material adverse impact on the liquidity and funding of all UK financial services institutions, including us. Such a loss of sentiment could also potentially occur as a result of a downgrade to the UK's sovereign rating or loss of confidence in the creditworthiness of the UK government more generally. Any declines in those aspects of our business identified by the rating agencies as significant could adversely affect the rating agencies' perception of our credit and cause them to take negative ratings actions. Any downgrade in our credit ratings could adversely affect our liquidity and competitive position, particularly through cash outflows to meet collateral requirements on existing contracts; undermine confidence in our business; increase our borrowing costs; limit our access to the capital markets; or lead to a loss of customers and counterparties willing to trade with us.

Any downgrades may also create new obligations or requirements for us under existing contracts with our counterparties. For example, as at April 4, 2023 we would have needed to provide additional collateral amounting to £0.6 billion in the event of a two notch downgrade (subject to management actions that could be taken to reduce the impact of the downgrades). For further information see the section entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations—External Credit Ratings."*

d) Competition

We operate in an intensely competitive UK personal financial services market. We compete mainly with other providers of personal finance services, including banks, building societies and insurance companies. In addition, recent technological advances have allowed new competitors to emerge both from within the traditional financial services arena and from outside it, and continued advances in technology may lead to further new entrants from the fintech sector.

For example, both financial institutions and their non-banking competitors face the risk that payments processing and other banking services could be significantly disrupted by technologies, such as private sector 'stablecoins' and other digital currencies, that require no intermediation. New technologies could require us to spend more to adapt our products, propositions and infrastructure to ensure we remain competitive and can continue to attract and retain new and existing members respectively. Moreover, we will need to ensure our brand remains relevant and attractive to our customers in light of both existing and emerging competition.

Each of the main personal financial services markets in which we operate is mature and relatively slow growing, which intensifies pressure for firms to take market share from competitors if they are to expand. See *"Competition"* below. As a consequence, there is a risk that this will create downward pressure on prices, negatively impacting our ability to deliver our strategic income targets and our financial performance. Competition may also intensify in response to consumer demand, further technological changes, brand relevance and the impact of consolidation among our competitors.

As a member-owned business, we are able to provide a financial benefit to our members through the offer of competitive savings and mortgage products. Our member financial benefit is delivered in the form of differentiated pricing and incentives, which we quantify as the sum of our interest rate differential, member reduced fees and incentives. For the year ended April 4, 2023, we have provided our members with a financial benefit of £1,055 million (April 4, 2022: £325 million) supported by strategic pricing of our individual savings accounts ("**ISA**") products and the increases in Bank of England's Bank Rate (the "**Bank Rate**") during the year which have enabled us to provide more value to our savings members. A highly competitive mortgage market, however, limited the financial benefit we could provide for those members.

We are subject to regulation and possible enforcement action by the Competition and Markets Authority (the "**CMA**"). The CMA is central to the enforcement of competition law in the UK, including the Competition Act 1998 (the "**Competition Act**"). The CMA is responsible for the enforcement of infringement of both any prohibited activity under Chapter I or Chapter II of the Competition Act (where civil penalties are imposed on undertakings) and criminal offences committed by individuals under the Enterprise Act 2002 (the so called "cartel offenses"). When conducting an investigation the CMA has the power to require disclosure of information or documents and to carry out 'dawn raids' on company premises. The CMA may also require a company to comply with interim measures whilst the investigation is ongoing. Civil penalties available to the CMA at the conclusion of an investigation include settlement, commitments, infringement decisions, director's disqualification, and financial penalties. Most notably, the CMA has the power to impose penalties of up to 10% of turnover on an undertaking found to have infringed a prohibited activity under Chapter I or Chapter II of the Competition Act. We are not currently subject to any enforcement actions by the CMA.

Certain sectoral regulators have concurrent powers to those of the CMA for those undertakings operating within their respective sectors. The Financial Conduct Authority is the sectoral regulator for the financial markets industry and Payment Services Regulator is the sectoral regulator for the payment systems industry. They have the same enforcement powers as the CMA under the Competition Act.

The CMA launched a full market investigation into competition in the SME banking and personal current account ("**PCA**") markets in November 2014 and published its final report on August 9, 2016, followed by the Retail Banking Market Investigation Order 2017 on February 2, 2017. The key final remedies include: the introduction of "Open Banking", the publication of service quality information and customer information prompts. Recommendations were also made regarding improvements to current account switching, monthly maximum charges for PCA overdraft users, overdraft notifications and additional measures to assist small business in comparing the different products available. The FCA has also undertaken market reviews in each of the major retail product markets and introduced remedies to help customers compare products and switch between products and product providers. These and future recommendations could shift the competitive landscape in the sector and have an adverse impact on our results.

Additionally, the implementation of the Independent Commission on Banking's recommendation to separate retail banking activities from wholesale and investment banking activities was carried out by large banking groups operating in the UK in 2019 and has reduced the distinctiveness of the building society model, which we consider to be a competitive advantage. We are not currently subject to the ring-fencing requirements but this framework has altered the business models of ring-fenced banks and may therefore continue to adversely affect our competitive position and that of other mutual institutions. We believe that ring fencing has trapped surplus deposits on the balance sheets of several major UK retail banks which seek to deploy this liquidity in lending markets, which in the medium term is driving further price competition, particularly in mortgages. This has depressed margins across the UK banking sector and more recently has resulted in some smaller participants stepping back from the market.

We continue to experience heightened competition across our products, with excess liquidity among our peer group continuing to put pressure on mortgage margins. There are also new entrants looking to compete primarily via digital channels, including well established financial services companies, seeking to gain a share of the current account market. Additionally, the rise of digital banking is changing customer expectations of the availability of banking services. As digital changes make transactions easier and more convenient, we expect

customers to transact more frequently, and in many different ways. The pandemic has further accelerated the digital transformation, and we invested in building greater capacity and resilience into our payments platform, systems and controls. Upgrading systems comes with some risk, and we experienced some payments outages linked to the upgrades. We may not be able to manage service provision ahead of rising customer expectations or may have competitors who are more successful in meeting demand for digital banking services, both of which may negatively impact our brand relevance.

In addition, if our customer service levels were perceived by the market to be materially below those of competitor UK financial institutions, we could lose existing and potential new business. If we are not successful in retaining and strengthening customer relationships, we may lose market share, incur losses on some or all of our activities or fail to attract new deposits or retain existing deposits, which could have a material adverse effect on our business, financial condition or results of operations.

e) Financial Performance

We seek to maintain a secure and dependable business for our members through, among other things, generating a level of profit sufficient to meet regulatory capital and future business investment requirements and focusing on how we spend members' money through driving a culture of efficiency.

As a member-owned mutual organization, we aim to make the right level of profit to maintain our financial strength and invest for the future, and we balance these longer-term priorities with delivering value to our members through better rates, incentives and propositions. In recent years, our financial planning and stress testing has focused on parameters that have allowed us to calibrate future performance with a view to achieving the right balance between distributing value to members, investing in the business and maintaining financial strength, including a target profitability range that would enable sustainable capital strength.

Reductions from reprioritization of investment spend over the medium term, and lower business as usual run costs have been partly offset by restructuring costs as we took action to reduce our future cost base. However, there can be no assurance that such targeted cost savings will be achieved. Any failure by us to make sufficient profits to maintain our financial strength and invest for the future and/or to achieve our targeted efficiencies could adversely impact our capital ratios and the results of operations.

f) Climate change

The risks associated with climate change are coming under an increasing focus, both in the UK and internationally, from governments, regulators and large sections of society. These risks include: physical risks, arising from climate and weather-related events of increasing severity and/or frequency; transition risks resulting from the process of adjustment towards a lower carbon economy; and liability and compliance risks arising from experiencing litigation or reputational damage as a result of sustainability issues.

Physical risks from climate change arise from a number of factors and relate to specific weather events and longer term shifts in the climate. The nature and timing of extreme weather events are uncertain but they are increasing in frequency and their impact on the economy is predicted to be more acute in the future. The potential impact on the economy includes, but is not limited to, lower GDP growth, higher unemployment and significant changes in asset prices and profitability of industries. Physical risks from climate change also impact us specifically, including the flood exposure within our mortgage book which could lead to a decline in the value of the associated properties. In addition, our premises and resilience may also suffer physical damage due to weather events leading to increased costs or lost income for us.

The move towards a low-carbon economy will also create transition risks, due to potential significant and rapid developments in the expectations of policymakers, regulators and society resulting in policy, regulatory and technological changes which could impact us directly, as well as have a more indirect impact due to macroeconomic effects on the UK and the EU's energy import dependency, investment costs, energy costs, industrial competitiveness, GDP and employment. These risks may cause the impairment of asset values and impact defaults among retail customers (including through the ability of customers to repay their mortgages, as

well as the impact on the value of the underlying property), which could result in currently profitable business deteriorating over the term of agreed facilities. In addition, energy performance certificate ("**EPC**") minimum requirements for privately rented housing are set to increase over coming years, which may impact the viability of some BTL customers' properties.

Helping to address the impact of climate change aligns with our mutual purpose and we are committed to working towards a net-zero carbon emissions future by 2050 at the latest, having joined the Net-Zero Banking Alliance and Glasgow Financial Alliance for Net-Zero in 2021. Achieving this goal will require, among other things: support in helping our members to green their homes; governments to introduce new policies, incentives and to invest in infrastructure; new market developments; and technological advancements. If these changes, most of which are out of our control, do not occur, we may have difficulty achieving our targets, and may suffer reputational damage as a result.

If we do not adequately embed the management of risks associated with climate change identified above into our risk framework to appropriately measure, manage and disclose the various financial and operational risks we face as a result of climate change, or fail to adapt our strategy and business model to the changing regulatory requirements and market expectations on a timely basis, this could have an adverse impact on our operations, financial condition and prospects. Furthermore, inadequate climate risk disclosure could result in the loss of our investor base as it may not be perceived to be a green investment. Implications of inadequately managing or disclosing climate-related risk or evidencing progress in line with expectations, could also result in potential reputational damage, member attrition or loss of investor confidence.

Governments and regulators may introduce increasingly stringent rules and policies designed to achieve targeted outcomes, which could increase compliance costs for us, drive asset impairments and result in regulatory fines or other action if we are unable to implement adequate reforms sufficiently quickly. How we assess and respond to these developments and challenges could increase our costs of business, and a failure to identify and adapt our business to meet new rules or evolving expectations, or any perception that we are underperforming relative to our peers, could result in reputational damage and/or risk of legal claims.

g) Financial Reporting

Accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. We must exercise judgment in selecting and applying many of these accounting policies and methods so that they comply with IFRS.

We have identified certain accounting policies in the notes to the audited consolidated financial statements for the year ended April 4, 2023 incorporated by reference in this Base Prospectus in respect of which significant judgment is required in determining appropriate assumptions and estimates when valuing assets, liabilities, commitments and contingencies. These judgments relate to the assumptions used in the determination of impairment provisions on customer loans and advances (see note 10 to the audited consolidated financial statements as at and for the year ended April 4, 2023), the estimates underlying our determination of provisions for customer redress (see note 27 to the audited consolidated financial statements as at and for the year ended April 4, 2023) and the assumptions underlying our calculations of retirement benefit obligations (see note 30 to the audited consolidated financial statements as at and for the year ended April 4, 2023).

A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset or reducing a liability. We have established detailed policies and control procedures that are intended to ensure that these judgments (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. Because of the uncertainty surrounding our judgments and the estimates pertaining to these matters, we cannot guarantee that we will not be required to make changes in accounting estimates or restate prior period financial statements in the future and any such changes or restatements could be material in nature.

From time to time, the International Accounting Standards Board (the "**IASB**") proposes changes to the IFRS, as adopted for use within the UK. These standards govern the preparation of our financial statements. These changes could materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in restating prior period financial statements.

In addition, in response to the Covid-19 pandemic, on April 28, 2020 the European Commission announced a proposed banking package of reforms which includes (amongst other things) a two-year extension of these current transitional arrangements for mitigating the impact of IFRS 9 provisions on regulatory capital. These measures allow banks and building societies to add back to their regulatory capital any increase in new ECL provisions incurred as of January 1, 2020 and recognized in 2020 and 2021 for financial assets which have not defaulted. The proposals were approved in the European Parliament plenary session on June 9, 2020 with phased transitional arrangements ending by 2025.

The IASB may make other changes to financial accounting and reporting standards that govern the preparation of our financial statements, which we may adopt prior to the date on which such changes become mandatory if we determined to be appropriate, or which we may be required to adopt. Any such change in our accounting policies or accounting standards could materially affect our reported financial condition and results of operations.

h) Market risk

Market risk is the risk that the net value of, or net income arising from, our assets and liabilities is impacted as a result of changes in market prices or rates, including interest rates or foreign exchange rates. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realized between lending and borrowing costs. Changes in currency rates, particularly in the sterling-dollar and sterling-euro exchange rates, affect the value of assets and liabilities denominated in foreign currencies and may affect income from assets and liabilities denominated in foreign currency.

The performance of financial markets may cause changes in the value of our investment and liquidity portfolios. Although we have implemented risk management methods designed to mitigate and control market risks to which we are exposed and our exposures are constantly measured and monitored, there can be no assurance that these risk management methods will be effective, particularly in unusual or extreme market conditions. It is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on our financial performance and business operations. Unanticipated market risks could have a material adverse effect on our financial performance or results of operations.

i) Pension Risk

We have funding obligations to several defined benefit pension schemes. Pension risk is defined as the risk that the value of the pension schemes' assets will be insufficient to meet the estimated liabilities, creating a pension deficit. Pension risk can negatively impact our capital position and may result in increased cash funding obligations to the pension schemes.

In November 2020, Nationwide and the Trustee of the Nationwide Pension Fund entered into an arrangement whereby Nationwide has agreed to provide collateral in the form of retained Silverstone notes to provide additional security to the Fund. The Fund would have access to these notes in the case of certain events such as insolvency of Nationwide.

Following the closure of the Fund to future accrual on March 31, 2021, there were no employer contributions made in respect of future benefit accrual during the year. There were also no employer deficit contributions into the Fund for the year ended April 4, 2022 and none are scheduled for the year ending April 4, 2023. On October 14, 2022, the Society provided two uncollateralized loans totalling £400 million to the Fund. This temporary support allowed the Fund to manage its ongoing liquidity requirements during a period of high

market volatility. Both loan balances included accrued interest of £4 million and were fully repaid in November 2022 and January 2023.

During the year, Nationwide and the Trustee agreed to a new Schedule of Contributions following the finalisation of the Fund's March 31, 2022 Triennial Valuation. As the Triennial Valuation indicated a funding surplus, a recovery plan requiring employer deficit contributions was not needed. The effective date of the Fund's next Triennial Valuation is March 31, 2025. Employer deficit contributions of £1 million were made in respect of the Group's defined benefit scheme in the Nationwide (Isle of Man) Limited subsidiary. As the Fund is closed to future accrual, there were no employer contributions made in respect of future benefit accrual during the year. There were also no employer deficit contributions into the Fund for the year ended April 4, 2023 and none are scheduled for the year ending April 4, 2024.

In January 2022, the Trustee completed a pensioner buy-in (the purchase of an insurance policy that covers all risks, i.e. market risk and longevity risk) for the smaller Cheshire & Derbyshire section of the Fund.

Any change in the contributions which we are required to pay in respect of our defined benefit pension schemes, including as a result of a future Triennial Valuation of the Fund, could have a negative impact on our results of operations. In addition, any IAS19 accounting deficit in our defined benefit pension scheme would be reflected in our CET1 capital. Accordingly, an increase in deficit can result in a reduction in our capital ratios.

Furthermore, the Fund's position can also be impacted by volatility in investment returns from its assets and the value of its liabilities, including, in each case, any derivative positions it may hold. The Fund holds a significant proportion of return-seeking assets, including equities and credit investments. Return seeking assets are expected to outperform liabilities in the long-term, but they are riskier and volatile in the short to medium-term. There is also a risk that the Fund's liabilities increase to a level which is not supported by asset performance, whether through discount rate changes, increases in long-term inflation expectations, or increases in the life expectancy (longevity) of Fund members. Over the long term, the Trustee intends to reduce further the Fund's risk factors, and we actively engage with the Trustee to ensure broad alignment on investment objectives and implementation. Potential risk management initiatives include, but are not limited to, adjusting the asset allocation (reducing the allocation to return-seeking assets and increasing the allocation to liability matching assets), longevity hedging and implementing derivative and other hedging strategies. The above-mentioned risks and failure to successfully implement risk management initiatives could have a material adverse effect on the performance of the Fund, our business, financial condition, results of operations, liquidity and/or prospects.

j) Systemic Risk

Given the high level of interdependence between financial institutions, we are and will continue to be subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of other financial services institutions. Within the financial services industry, the default of 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 bankruptcy 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. More recently, mid-sized banks in the US have come under similar pressure following the collapse of Silicon Valley Bank and Signature Bank and the subsequent distressed purchase of First Republic Bank by JP Morgan. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by us or by other institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom Nationwide interacts on a daily basis. Systemic risk could have a material adverse effect on our ability to raise new funding and on our business, financial condition, results of operations, liquidity and/or prospects.

2) Regulatory Risks

a) We are subject to extensive legislation and regulation.

We conduct our business subject to ongoing regulation by the PRA and the FCA, which oversee our prudential arrangements and the sale of financial products, including, for example, residential mortgages, commercial lending, savings, investment, consumer credit and general insurance products. The regulatory regime requires us to be in compliance across many aspects of activity, including the training, authorisation and supervision of personnel, systems, processes and documentation. The financial sector has seen an unprecedented volume and pace of regulatory change in the years following the global financial crisis, compounded by the UK's exit from the European Union, and significant resources have been required to assess and implement necessary changes. If we fail to comply with any relevant regulations, there is a risk of an adverse impact on our business due to sanctions, fines or other action imposed by the regulatory authorities.

This is particularly the case in the current market environment, which continues to witness significant levels of Government intervention in the banking, personal finance and real estate sectors. For example, on July 27, 2022, the FCA confirmed its plans to bring in a new Consumer Duty which will set higher and clearer standards of consumer protection across financial services and require firms to put their customers' needs first. The Consumer Duty is constituted of four high-level outcomes:

- a new Principle for Businesses and a new individual conduct rule, applicable to us, to "deliver good outcomes for retail customers",
- three cross-cutting rules to (i) act in good faith, (ii) avoid foreseeable harm to retail customers, and (iii) support those customers to pursue their financial objectives.

These four outcomes focus on products and services, price and value, consumer support and consumer understanding. Firms must implement the Consumer Duty for all new and existing products and services that are currently on sale by July 31, 2023. The rules will be extended to closed book products (i.e. those which are no longer on sale) by July 31, 2024.

The Consumer Duty also includes requirements for firms to end unfair charges and fees, make it as easy to switch or cancel products as it was to take them out in the first place, provide helpful and accessible customer support, act quickly to respond to customer queries, provide timely, clear and easily understandable information to customers regarding products and services, provide products and services that are appropriate for their customers, and focus on the real and diverse needs of their customers, including those in vulnerable circumstances, at every stage and in each interaction. Firms will also need to monitor, evidence and report against many of the requirements. There may be added costs associated with making necessary changes in order to ensure that we are compliant with these new rules. If we fail to comply with these new rules, there is a risk of an adverse impact on our business due to penalties imposed by the FCA, costs and payments associated with any investigations and/or required remediation and potential reputational damage. The FCA's business plan for 2023/24 includes amongst its priorities sector-specific supervisory work relating to the implementation of the Consumer Duty. Future changes in regulation, fiscal or other policies are unpredictable and beyond our control and could materially adversely affect our business or operations.

A range of other legislative and regulatory changes have been made or proposed which could impose operational restrictions on us, causing us to raise further capital, increase our expenses and/or otherwise adversely affect our business results, financial condition or prospects.

As at the date of this Base Prospectus it is difficult to predict the full effect that any of these changes and proposals will have on our operations, business and prospects. Following the UK's departure from the EU and the end of the Brexit transition period at the end of 2020, the extent to which the UK may elect to implement or mirror future changes in the EU regulatory regime, or to diverge from the current EU-influenced regime over time, remains to be seen. However, it appears likely that the UK regulatory position will diverge to a material extent from that of the EU in the medium term. HM Treasury set out the government's approach to repealing and

replacing retained EU law ("**REUL**") on financial services in December 2022 in the so-called **"Edinburgh Reforms**". The Edinburgh Reforms may result in material changes to the UK regulatory regime. Depending on the specific nature of the requirements and how they are enforced, the changes could have a significant impact on our operations, structure, costs and/or capital requirements. Accordingly, we cannot assure investors that the implementation of any of the foregoing matters will not have a material adverse effect on our operations, business, results, financial condition or prospects.

Furthermore, we cannot assure investors that any other regulatory or legislative changes or any other Governmental interventions that may have been proposed or which may materialise in the future will not have a material adverse effect on our operations, business, results, financial condition or prospects. While the scope and nature of any such changes are unpredictable, any interventions or regulations designed to increase the protections for UK retail and other customers of banks and building societies, for example through stricter regulation on repossessions and forbearance by mortgage lenders, could materially adversely affect our business or operations.

We are also subject to a number of proposals and measures targeted at preventing financial crime (including anti-money laundering and terrorist financing). While we are committed to operating a business that prevents, deters and detects money laundering and terrorist financing in accordance with such requirements, if there are breaches of these measures or existing law and regulation relating to financial crime, we could face significant administrative, regulatory and criminal sanctions as well as reputational damage which may have a material adverse effect on our operations, financial condition or prospects.

We are investing significantly to ensure that we will be able to comply with developing regulatory requirements. If we are unsuccessful in efficiently adopting any requisite new compliance practices, this may adversely impact our ability to operate in the financial services markets and to deliver an appropriate level of operational and financial performance.

In recent years, the FCA has undertaken several studies on the mortgage market and has published advice according to its findings. It is possible that further changes may be made to the FCA's Mortgages and Home Finance: Conduct of Business sourcebook ("**MCOB**") as a result of current and future reviews, studies and regulatory reforms which could have a material adverse effect on our business, finances or operations. Any failure to comply with these rules may entitle a borrower to claim damages for loss suffered or set-off the amount of the claim against monies owing under a regulated mortgage contract and the new rules may also negatively affect mortgage supply and demand.

On November 30, 2022, the PRA published Consultation Paper 16/22 on the implementation of the final Basel standards (which the PRA refers to as Basel 3.1) in the UK. Taking into account the publicly-announced implementation timetables in other major jurisdictions, and the need to provide firms with sufficient time to implement the final policies, the PRA has proposed a five-year transitional period for implementation that will become effective on January 1, 2025. The consultation closed on March 31, 2023. The implementation of the final Basel standards may have an impact on our risk management framework, which could adversely affect our business or operations.

b) Capital and liquidity requirements

We are subject to extensive and evolving regulatory capital and liquidity requirements, as further described in "*Supervision and Regulation*".

Changes to the regulatory capital and liquidity requirements, and/or the prudential framework, under which we operate could hinder growth by prescribing more stringent requirements than those with which we currently comply. Our capital ratios may be adversely affected not only by a reduction in our capital (including if we suffer financial losses) but also by changes in the manner in which we are required to calculate our capital and/or the risk-weightings applied to our assets. For example, we are currently authorized to apply an 'internal ratings based' ("**IRB**") approach to calculating our risk-weighted assets. An IRB approach enables an institution to tailor more closely risk-weights to its particular assets than standardized risk-weights, and accordingly in many cases can be expected to be lower than risk-weights which would apply under a standardized approach. Changes

to how we apply our IRB model, or which may require us to calculate our risk-adjusted assets on the basis of standardized or loan-to-value-based standardized risk-weights, could have a material adverse impact on our capital ratios, even if we remain profitable. In particular, as further described in "*Supervision and Regulation—European Union Legislation—RWA floors and IRB modeling*", RWA output floors are due to be implemented through a transitional period, expected from 2025 to 2030. From January 1, 2022, policy statements came into force which changed the industry-wide calibration of IRB models used for calculating RWAs. The new models are designed to ensure less volatility in risk-based capital requirements through periods of economic stress by increasing starting RWAs closer to a through-the-cycle average. As the models are yet to be approved by the PRA, a model adjustment has been made to ensure outcomes are consistent with the revised IRB regulations. The impact of this adjustment was a significant increase in RWAs. In line with other industry participants, we continue to work with the PRA on the precise calibration of the revised IRB models. Although this has reduced our CET1 ratio, our reported CET1 ratio remains well in excess of minimum requirements. For further information, please refer to the "*Supervision and Regulation—European Union Legislation—RWA floors and IRB modeling*" section.

In addition, a failure to adequately manage capital, liquidity and our minimum requirement for own funds and eligible liabilities ("**MREL**") requirements could have a material adverse effect on us. While we monitor current and expected future capital, liquidity and MREL requirements, including having regard to both leverage and RWA-based requirements, and seek to manage and plan our prudential position accordingly and on the basis of current assumptions regarding future capital and liquidity requirements, there can be no assurance that our assumptions will be accurate in all respects or that we will not be required to take additional measures to strengthen our capital or liquidity position.

Effective management of our capital and regulatory authorizations is critical to our ability to operate and grow our business and to pursue our strategy. Any change that limits our ability to manage our 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 RWAs (which may be pro-cyclical under the current capital framework, resulting in risk-weighting increasing in economic downturns), delays in the disposal of certain assets or the inability to raise capital or funding through wholesale markets as a result of market conditions or otherwise) could have a material adverse impact on our business, financial condition, results of operations, liquidity and/or prospects.

Furthermore, if we fail, or are perceived to be likely to fail, to meet our minimum regulatory capital, leverage, liquidity requirements, or MREL, including in connection with any stress tests performed by the Bank of England or any other relevant authority, this may result in administrative actions or regulatory sanctions. In addition, any actual or perceived weakness relative to our competitors could result in a loss of confidence, which could result in high levels of withdrawals from our retail deposit base, upon which we rely on for lending and which could have a material adverse effect on our business, financial position or results of operations.

c) We are exposed to the risk of changes in tax legislation and its interpretation and to increases in the rate of corporate and other taxes

Our activities are principally conducted in the UK and we are therefore subject to a range of UK taxes at various rates. Future actions by the Government to increase tax rates or to impose additional taxes would reduce our profitability. Revisions to tax legislation or to its interpretation might also affect our financial condition in the future. In addition, we are subject to periodic tax audits which could result in additional tax assessments relating to past periods of up to six years being made. Any such assessments could be material which might also affect our financial condition in the future.

d) We are exposed to risks relating to the mis-selling of financial products, acting in breach of legal or regulatory principles or requirements and giving negligent advice.

There continues to be significant regulatory scrutiny of the sales practices and reward structures that financial institutions have used when selling financial products. No assurance can be given that we will not incur liability for past, current or future actions, including failure to comply with applicable regulatory requirements,

which are determined to have been inappropriate and any such liability incurred could be significant and materially adversely affect our results of operations and financial position. In particular:

- certain aspects of our business may be determined by the Bank of England, the PRA, FCA, HM Treasury, the CMA, the Financial Ombudsman Service (the "**FOS**") or the courts as not being conducted in accordance with applicable laws or regulations, or, in the case of the FOS, with what is fair and reasonable in the Ombudsman's opinion;
- the alleged mis-selling of financial products, including as a result of having sales practices and/or rewards structures that are deemed to have been inappropriate, may result in disciplinary action (including significant fines) or requirements to amend sales processes, withdraw products, or provide restitution to affected customers, all of which may require additional provisions to be recorded in our financial statements and could adversely impact future revenues from affected products; The FCA continues to focus on the supervision of financial promotions, with a particular focus on high-risk investments which are not aligned with the risk tolerance of consumers; and
- we may be liable for damages to third parties harmed by the conduct of our business.

In addition, we face both financial and reputational risk where legal or regulatory proceedings, or complaints before the FOS, or other complaints are brought against us or members of our industry generally in the UK High Court or elsewhere. For example, in August 2010, the Financial Services Authority (the "**FSA**") published a Policy Statement (the "**PS10/12**") on "The Assessment and Redress of Payment Protection Insurance Complaints" (the "**Statement**"). The Statement applies to all types of Payment Protection Insurance (the "**PPI**") policies and followed Consultation Paper (CP10/06). Following publication of the Statement, the British Bankers Association (the "**BBA**") and others requested a judicial review of the FSA's proposed approach to the assessment and redress of complaints in respect of sales of PPI. On April 20, 2011, the High Court ruled in favor of the FSA. The BBA chose not to appeal this ruling and the obligation for firms to comply with PS10/12 resulted in very significant provisions for customer redress made by several UK financial services providers.

We hold provisions for customer redress to cover the costs of remediation and redress in relation to past sales of financial products and ongoing administration, including non-compliance with consumer credit legislation and other regulatory requirements. Our customer redress release was £10 million for the year ended April 4, 2023 (year ended April 4, 2022: £56 million charge) relating to issues with historical quality control procedures, past sales and administration of customer accounts, and other regulatory matters.

No assurance can be given that we will not incur liability in connection with any past, current or future non-compliance with legislation or regulation, and any such non-compliance could be significant and materially adversely affect our results of operations and financial position or our reputation.

e) We are subject to wide-ranging regulatory action in the event that we are considered likely to fail and our failure poses a threat to the public interest.

In the UK, the Banking Act 2009 as amended (the "**Banking Act**") introduced a package of minimum early intervention and resolution-related tools and powers which the UK resolution authorities may apply in respect of in-scope UK financial institutions, including the Society and our group, and provided for special rules for cross-border groups. Under the Banking Act, substantial powers have been granted to HM Treasury, the Bank of England (including the PRA) and the FCA (together, the "**Authorities**") as part of a Special Resolution Regime (the "**SRR**"). These powers enable the Authorities, among other things, to resolve a bank or building society by means of several resolution tools (the "**Stabilization Options**") in circumstances in which the Authorities consider its failure has become likely and a resolution is considered to be in the public interest. In respect of UK building societies, the relevant tools include:

(i) modified property transfer powers which also refer to cancelation of shares and conferring rights and liabilities in place of such shares;

(ii) in place of the share transfer powers, a public ownership tool which may involve (among other things) arranging for deferred shares in a building society to be publicly owned, cancelation of private membership rights and the eventual winding up or dissolution of the building society; and

(iii) modified bail-in powers such that exercise of the tool may be immediately preceded by the demutualization of the building society through the conversion of it into a company or the transfer of all of our property, rights or liabilities to a company.

In each case, the Banking Act grants additional powers to modify contractual arrangements in certain circumstances and powers for HM Treasury to disapply or modify laws (with possible retrospective effect) to enable the powers under the Banking Act to be used effectively.

The Banking Act also provides that the UK as a last resort, after having assessed and used the resolution tools set out above to the maximum extent practicable while maintaining financial stability, and where certain other mandatory conditions of the Banking Act have been satisfied, may provide extraordinary public financial support through additional financial stabilization tools. These consist of the public equity support and temporary public ownership tools. There can be no assurance that investors in any notes would benefit from such last resort support even if it were provided.

Secondary legislation which defines the scope of application of the Stabilization Options under the SRR to certain "banking group companies" came into force on August 1, 2014. The definition of "banking group company" encompasses certain of our subsidiaries and affiliates, and allows the Stabilization Options under the SRR and the bail-in stabilization power to be applied to any of our group companies that meet the definition of a "banking group company."

In addition, the Banking Act contains a separate power, often referred to as the "write-down and conversion tool", enabling the Authorities – independently of, or in conjunction with, the use of resolution powers – to cancel or transfer CET1 instruments away from the original owners, or write down (including to nil) an institution's AT1 and Tier 2 capital instruments, or to convert them into CET1 instruments, if the Authorities consider that the institution or the group is at the "point of non-viability" and certain other conditions are met. The write-down and conversion tool must be applied before any of the Stabilization Options provided for in the SRR may be used in practice and may be used whether or not the institution subsequently enters into resolution. Additionally, in respect of building societies, the resolution authority may write-down or convert instruments issued by the building society itself or a successor entity formed through exercise of Stabilization Options. Subordinated notes issued under the program may be Tier 2 capital instruments, and any such subordinated notes could be subject to the write-down and conversion tool. For more information see: "*The UK Banking Act 2009 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 us or any notes could materially adversely affect the value of any notes and/or the rights of noteholders*".

The SRR may be triggered prior to our insolvency. The purpose of the Stabilization Options is to address the situation where all or part of a business of a relevant entity has encountered, or is likely to encounter, financial difficulties, giving rise to wider public interest concerns. Accordingly, the Stabilization Options may be exercised if:

(i) the PRA is satisfied that a relevant entity is failing or is likely to fail;

(ii) having regard to timing and other relevant circumstances, the Bank of England determines that it is not reasonably likely that (ignoring the Stabilization Options) action will be taken that will result in the relevant entity no longer failing or being likely to fail;

(iii) the Bank of England considers the exercise of the Stabilization Options to be necessary, having regard to certain public interest considerations (such as the stability of the UK financial system, public confidence in the UK banking system and the protection of depositors); and

(iv) the Bank of England considers that the specific resolution objectives would not be met to the same extent by the winding up of the relevant entity.

It is therefore possible that one or more of the Stabilization Options could be applied prior to the point at which any insolvency proceedings with respect to the relevant entity could be initiated.

The European Banking Authority (the "**EBA**") has published guidelines on the circumstances in which an institution shall be deemed by supervisors and resolution authorities as "failing or likely to fail" within the meaning of the BRRD. While the EBA guidelines are not binding on the Authorities when considering their powers under the Banking Act, the Authorities may continue to have regard to them as part of their deliberations, even after Brexit. The guidelines set out the objective criteria which should apply when supervisors and Authorities make such a determination.

Additionally, HM Treasury has issued a Code of Practice on the special resolution regime, in accordance with sections 5 and 6 of the Banking Act, which supports the legal framework of the SRR, and provides guidance as to how and in what circumstances the Authorities will use the special resolution tools.

Although the Banking Act provides for conditions to the exercise of any resolution powers and the EBA guidelines and HM Treasury Code of Practice set out objective elements which the Authorities may elect to consider when determining whether an institution is failing or likely to fail and which powers to use, it is uncertain how the Authorities would assess such conditions in any particular situation. The relevant Authorities are also not required to provide any advance notice to holders of notes of their decision to exercise any resolution power. Therefore, holders of 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 us or the notes.

f) We are required to pay levies under the FSCS and are exposed to future increases in such levies, which might impact our profits.

The FSMA established the FSCS, which pays compensation to eligible customers of authorized financial services firms which are unable, or are likely to be unable, to pay claims against them. For further information, please refer to the section entitled "*Supervision and Regulation.*" Based on our share of protected deposits, Nationwide paid levies to the FSCS to enable the scheme to meet claims against it. The FSCS published its latest levy forecast update for 2023/24 on May 25, 2023.

The EU Directive on deposit guarantee schemes (the "**DGSD**") requires EU Member States (including, at the time the DGSD was required to be transposed, the UK) to ensure that by July 3, 2024 the available financial means of the deposit guarantee schemes regulated by it reach a minimum target level of 0.8% of the covered deposits of credit institutions. The schemes are to be funded through regular contributions before the event (ex-ante) to the deposit guarantee schemes (the UK has previously operated an ex-post financing where fees are required after a payment to depositors has occurred). In case of insufficient ex-ante funds, the deposit guarantee scheme will collect immediately after the event (ex-post) contributions from the banking sector and, as a last resort, it will have access to alternative funding arrangements such as loans from public or private third parties. The DGSD requirements were implemented in the UK before the UK's exit from the EU and the regime was subsequently amended to reflect the UK's exit from the EU. We refer to the "Supervision and Regulation" section for a description of the changes implemented to retained EU legislation so that it works effectively after the end of the transition period on December 31, 2020.

The UK requirements implementing DGSD provide, among other things, that the ex-ante contributions are met by funds already collected under the UK bank levy (with the ability, in the case of insufficient funds, to collect immediate ex-post contributions) and changes to the FSCS including the introduction of temporary high balance deposit protection, up to £1 million, for up to twelve months (protection temporarily extended from six

to twelve months in response to the impact of Covid-19) from when the amount was deposited for certain limited types of deposits and changes to the types of depositors that are eligible for compensation.

It is possible that future FSCS levies on us may differ from those we have incurred historically, and that such reforms could result in us incurring additional costs and liabilities, which may adversely affect our business, financial conditions and/or results of operations.

There can be no assurance that there will be no further actions taken under the Banking Act that may lead to further claims against the FSCS, and concomitant increased FSCS levies payable by us. Any such increases in our costs and liabilities related to the levy may have a material adverse effect on our results of operations. Further costs and risks may also arise from discussions at governmental levels around the future design of financial services compensation schemes, such as increasing the scope and level of protection and moving to pre-funding of compensation schemes.

The draft Financial Services and Markets Bill (the "**FSMB**") includes provisions that would bring in a new Bank of England levy, which will cover the costs of the Bank of England's monetary policy and financial stability functions. The Bank of England levy would replace the existing scheme cash ratio deposit scheme.

3) Business and Operational Risks

a) Our guidelines and policies for risk management may prove inadequate for the risks faced by our business and any failure to properly manage the risks which it faces could cause harm to us and our business prospects.

The management of financial and operational risks requires, among other things, robust guidelines and policies for the accurate identification and control of a large number of transactions and events. Such guidelines and policies may not always prove to be adequate in practice. We face a wide range of risks in our business activities, including, in particular:

- liquidity and funding risk, see "*—Liquidity and Funding*" above;
- credit risk, which is the risk that a borrower or a counterparty fails to pay interest or to repay the principal on a loan or other financial instrument;
- market risks, in particular interest rate risk as well as foreign exchange and bond and equity price risks. Changes in interest rate levels, yield curves and spreads may affect our interest rate margin realized between lending and borrowing costs. Changes in currency rates, particularly in the sterling-dollar and sterling-euro exchange rates, affect the value of assets and liabilities denominated in foreign currencies and may affect income from assets and liabilities denominated in foreign currency. The performance of financial markets may also cause changes in the value of our investment and liquidity portfolios. See also, "*—Credit Risk*" and "*—Market risk*" above; and operational risk, see "*—Operational risk*" below.

We have a range of tools designed to measure and manage the various risks which we face. Some of these methods, such as value-at-risk analyses, are based on historic market behavior. The methods may therefore prove to be inadequate for predicting future risk exposure, which may prove to be significantly greater than what is suggested by historic experience. Historical data may also not adequately allow prediction of circumstances arising due to Government interventions and stimulus packages, which increase the difficulty of evaluating risks. Other methods for risk management are based on evaluation of information regarding markets, customers or other information that is publicly known or otherwise available to us. Such information may not always be correct, updated or correctly evaluated. In addition, even though we constantly measure and monitor our exposures, there can be no assurance that our risk management methods will be effective, particularly in unusual or extreme market conditions. It is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on our financial performance and business operations.

b) Operational risk

Our success as a financial institution depends on our ability to process a very large number of transactions efficiently and accurately. Operational risk and losses can result from a range of internal and external factors. Internal factors include internal fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorization, failure to comply with regulatory requirements and conduct of business rules and equipment failures, particularly in relation to electronic banking applications. External factors include natural disasters, war, pandemics, terrorist action or the failure of external systems, for example, those of our suppliers or counterparties. These could, for example, prevent our customers from withdrawing cash from our ATMs or from having their salary credited to their accounts with us and, if customers associate their problem with us rather than with the institution causing the problem, this would have an operational and financial impact on our performance. A feature of operational risk is that financial institutions rely on systems and controls such as standard form documentation and electronic banking applications to process high volumes of transactions. As a result, any error in our standard documentation or any defect in our electronic banking applications can be replicated across a large number of transactions before the error or defect is discovered and corrected and this could significantly increase the cost to us of remediating the error or defect, could expose us to the risk of regulatory sanction, unenforceability of contracts and, in extreme cases, could result in significant damage to our reputation.

In response to the pandemic, it was necessary to implement new ways of working and adapt operational processes, the associated risks of which have been actively assessed for mitigation. The overall operational risk profile has remained relatively stable but is subject to ongoing review as the situation evolves and the longer-term impacts of COVID-19 are fully understood. We continue to plan for, and respond to, further developments to ensure continuity of service, minimize the impact on the risk profile, keep our colleagues and members safe and comply with UK Government guidance.

The impacts of the war in Ukraine are wide reaching and have affected our operational risk profile. Our response to sanctions on Russia has required focus due to the increased size and complexity of the sanctions list. In addition, in line with National Cyber Security Centre ("**NCSC**") guidance, a proactive and proportionate package of measures has been progressed to reflect the changes to the cyber security profile.

Increased digital interconnectivity across our customers and suppliers, and the need for resilient IT systems, including hardware, software, cloud computing services and cyber-security, remains an evolving risk to financial institutions including us. We consider that, within the operation and conduct risks profile, IT resilience and cyber security present the main risks, and we focus on striving to protect service availability and customer data. Our implementation of new systems, infrastructures and processes, alongside the maintenance of legacy systems, introduces a level of operational complexity. In an increasingly digital world, customer expectations are rising, with a significantly lower tolerance of service disruption. Ensuring a highly reliable and widely available service requires resilient IT, business systems and processes. Any loss in the integrity and resilience of key systems and processes, data thefts, cyber-attacks, denial of service attacks or breaches of data protection requirements could significantly disrupt our operations and cause significant financial loss and reputational damage to us. This could in turn result in a loss of confidence in us, potentially resulting in existing customers withdrawing deposits and/or deterring prospective new customers.

Meanwhile the significant rise in data used in digital services increases the complexity and cost of managing data securely and effectively. Further, the maturity and sophistication of organized cyber-crime continues to increase and has been highlighted by a number of recent attacks in the financial and non-financial sectors, including payment services. Such attacks have also increased the public awareness of cyber-threats. As a result of the continued increasing threat from cyber-crime, security controls have needed to keep pace to prevent, detect and respond to any threats or attacks. The constant threat posed by a cyber-attack directly impacts the existing risks associated with external fraud, data loss, data integrity and availability. Although we maintain measures designed to ensure the integrity and resilience of key systems and processes, we may be the victim of cyber-attacks, including denial of service attacks which could significantly disrupt our operations and the services we provide to our customers or attacks designed to obtain an illegal financial advantage. Any such attack or any other failure in our IT systems could, among other things, cause significant financial loss and reputational damage

to us, and could result in a loss of confidence in us, potentially resulting in existing customers withdrawing deposits and/or deterring prospective new customers.

Although we have implemented risk controls and loss mitigation actions, and substantial resources are devoted to technology, developing efficient procedures and staff training, it is not possible to implement procedures which are fully effective in controlling each of the operational risks noted above. If such operational risks are not effectively controlled, we may lose market share or, in extreme cases, risk regulatory sanction or reputational damage.

c) Reputational risk

Our reputation is one of our most important assets and our ability to attract and retain customers and conduct business with our counterparties could be adversely affected to the extent that our reputation or the reputation of the Nationwide brand is damaged. Failure to address, or appearing to fail to address, various issues that could give rise to reputational risk could cause harm to us and our business prospects. Reputational issues include, but are not limited to:

- failing to appropriately address potential conflicts of interest;
- breaching or facing allegations of having breached legal and regulatory requirements (including money laundering and anti-terrorism financing requirements);
- acting or facing allegations of having acted unethically (including having adopted inappropriate sales and trading practices, see "*—We are exposed to risks relating to the mis-selling of financial products, acting in breach of legal or regulatory principles or requirements and giving negligent advice*" below);
- failing or facing allegations of having failed to maintain appropriate standards of customer privacy, customer service and record-keeping;
- technology failures that impact upon customer service and accounts or the failure of intermediaries or third parties on whom we rely;
- limiting hours of or closing branches due to changing customer behavior;
- failing to properly identify legal, reputational, credit, liquidity and market risks inherent in products offered;
- a failure to identify and respond appropriately to the challenges and threats presented by climate change; and
- generally poor business performance.

Any failure to address these or any other relevant issues appropriately could make customers, depositors and investors unwilling to do business with us, which could adversely affect our business, financial condition and results of operations and could damage our relationships with our regulators. We cannot ensure that we will be successful in avoiding damage to our business from reputational risk.

4) Risks Related to the Notes

a) Recovery and Resolution

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 the SRR. These powers enable the relevant Authority, being the Bank of England as UK resolution authority, to deal with, among other entities, a UK bank or building society (each a "**relevant entity**") in circumstances in which that Authority considers that the resolution conditions are satisfied, through a series of stabilization options. For further information in relation to our regulatory environment and capital requirements see "*Regulatory Risks– We are subject to wide-ranging regulatory action in the event*

that we are considered likely to fail and our failure poses a threat to the public interest" and "*Regulatory Risks – Capital and liquidity requirements*".

Various actions may be taken under the SRR in relation to the notes without the express consent of the noteholders, and by acquiring the notes each noteholder agrees to be bound by such actions

If we were made subject to the SRR, HM Treasury or the Bank of England may exercise extensive share transfer powers (applying to a wide range of securities) and property transfer powers (including powers for partial transfers of property, rights and liabilities) over us and/or our securities (subject to certain protections).

Exercise of these powers could involve taking various actions in relation to any securities issued by us (including any notes issued under the program) without the express consent of the noteholders, including (among other things):

- transferring the notes out of the hands of the noteholders;
- delisting the notes;
- writing down (which may be to nil) the notes or converting the notes into another form or class of securities; and/or
- modifying or disapplying certain terms of the notes, which could include modifications to (without limitation) the maturity date (which may be to extend the maturity date), the interest provisions (including reducing the amount of interest payable, the manner in which interest is calculated and/or the scheduled interest payment dates, including by suspending payment for a temporary period), and/or the redemption provisions (including the timing of any redemption options and/or the amount payable upon redemption), and may result in the disapplication of acceleration rights or events of default under the terms of the notes or the effect thereof.

By acquiring the notes, each noteholder (including each beneficial owner) acknowledges, agrees to be bound by and consents to the exercise of any UK Bail-in Power by the Resolution Authority. Each noteholder (including each beneficial owner) also acknowledges, agrees to be bound by and consents to any amendment to the terms of the Indenture and any notes made in order to ensure the effectiveness and enforceability of such contractual acceptance of the exercise of any UK Bail-in Powers.

The Relevant Authorities may exercise the bail-in tool under the Banking Act to recapitalize a relevant entity in resolution by allocating losses to (among others) its capital providers and unsecured creditors (which would include noteholders) in a manner that (i) ought to respect the hierarchy of claims in an ordinary insolvency and (ii) is consistent with shareholders and creditors not receiving a less favorable treatment than they would have received in ordinary insolvency proceedings of the relevant entity (known as the "no creditor worse off" principle, although this may not apply in relation to an application of the write-down and conversion power in circumstances where a stabilization power is not also used; holders of debt instruments which are subject to the power may, however, have ordinary shares transferred to or issued to them by way of compensation). Accordingly, the ranking of notes in insolvency can be expected to have a direct impact on the relative losses imposed on noteholders in a resolution. For further information with respect to the ranking of notes, see "*The notes rank junior to most of our liabilities*" below.

The bail-in tool includes the power to cancel a liability or modify the terms of contracts for the purposes of reducing or deferring the liabilities of the relevant entity under resolution and the power to convert a liability from one form or class to another. There is also the power to convert a building society into a company in connection with a bail-in. The exercise of such powers may result in the cancelation 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 all or a portion of the principal amount of, interest on, or any other amounts payable on, the notes into equity securities (which, in our case, could be CCDS) or other securities or other obligations of ours or another person, including by means of a variation to the terms of the notes.

The taking of any such actions could materially adversely affect the rights of noteholders, the price or value of their investment in the notes, the liquidity and/or volatility of any market in the notes and/or our ability to satisfy our 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. However, such compensation will be limited to the return the noteholder might otherwise have received in an insolvency (less the value already received through resolution), and 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.

In addition, if the market perceives or anticipates that any action may be taken under the Banking Act in respect of us or any of our securities (including any notes issued under the program), this may have a significant adverse effect on the market price of the notes and/or the liquidity and/or volatility of any market in the notes, whether or not such powers are ultimately exercised. In such case, investors may experience difficulty in selling their notes, or may only be able to sell their notes at a loss.

Mandatory write-down and conversion of capital instruments and relevant internal liabilities may affect the subordinated notes, including outside of formal resolution proceedings

As noted above, in addition to the stabilization options which may be used in a resolution of an institution, the Banking Act contains a write-down and conversion tool which enables (and, if the institution enters into resolution, requires) the relevant Authority to permanently write-down, or convert into CET1 instruments (which, in our case, could be CCDS), any Tier 1 capital instruments, Tier 2 capital instruments (including subordinated notes issued under the program) and certain relevant internal liabilities at the point of non-viability of the relevant entity independently of (or in conjunction with) the exercise of any stabilization 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 (i) the relevant Authority determines that the relevant entity meets the conditions for resolution (but no resolution action has yet been taken), (ii) the relevant Authority determines that the relevant entity or its group will no longer be viable unless the relevant capital instruments and relevant internal liabilities are written-down or converted or (iii) extraordinary public financial support is required by the relevant entity other than, where the entity is an institution, for the purposes of remedying a serious disturbance in the UK economy and to preserve financial stability.

Subordinated notes issued under the program may therefore be subject to write-down or conversion into equity on application of such powers (without requiring the consent of the holders thereof) independently of whether we are in, or subsequently enter into, resolution. This may result in the holders losing some or all of their investment even if we are not put into resolution. 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 subordinated notes, and such exercise (or the perception that such exercise may occur) could materially adversely affect the price or value of their investment in subordinated notes and/or our ability to satisfy our obligations under the notes, and/or may adversely affect liquidity and/or volatility in any market for such subordinated notes.

The circumstances under which the relevant Authorities would exercise resolution powers are uncertain, which may affect the value of the notes

There is considerable uncertainty regarding the specific factors beyond the goals of addressing banking crises pre-emptively and minimizing taxpayers' exposure to losses (for example, by writing down relevant capital instruments before the injection of public funds into a financial institution) which the relevant Authorities would consider in deciding whether to exercise the Banking Act resolution powers with respect to the relevant financial institution and/or securities, such as the notes, issued by that institution. While the Banking Act provides guidance as to how and when the resolution powers may be utilized by the relevant Authorities, it allows for a considerable amount of discretion and there is no certainty as to how the relevant Authorities will exercise any resolution powers with respect to a given financial institution and/or securities issued by that institution. As there may be

many factors, including factors outside of our control or not directly related to us, which could result in such a determination, holders of the notes may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such resolution powers.

Accordingly, the threat of resolution powers being used may affect trading behavior, including prices and volatility, and, as a result, the notes are not necessarily expected to follow the trading behavior associated with other types of securities.

b) A restructuring plan could be implemented without the approval of all creditors and members, and could adversely affect the rights of noteholders and the price or value of their investment in the notes.

Where we encounter, or are likely to encounter, financial difficulties that are affecting, or will or may affect, our ability to carry on business as a going concern, we may propose a restructuring plan (a "**Plan**") with our creditors under Part 26A of the Companies Act 2006 (introduced by the Corporate Insolvency and Governance Act 2020) to eliminate, reduce, prevent or mitigate the effect of any of those financial difficulties. Should this happen, creditors whose rights are affected are organized into creditor classes and can vote on any such Plan (subject to any classes being excluded from the vote by the English courts for having no genuine economic interest in Nationwide). Provided that one class of creditors (who would receive a payment, or have a genuine economic interest in Nationwide) has approved the Plan, and in the view of the English courts any dissenting class(es) who did not approve the Plan are no worse off under the Plan than they would be in the event of the "relevant alternative" (such as, broadly, liquidation or administration), then the English court can sanction the Plan where it would be a proper exercise of its discretion. A sanctioned Plan is binding on all creditors and members, regardless of whether they approved it. Any such sanctioned Plan in relation to us may, therefore, adversely affect the rights of noteholders and the price or value of their investment in the notes, as it may have the effect of modifying or disapplying certain terms of the notes (by, for example, writing down the principal amount of the Notes, modifying the interest payable on the Notes, the maturity date or dates on which any payments are due or substituting the Issuer). The Secretary of State has the power, by secondary legislation, to exclude certain companies providing financial services from the scope of Part 26A and it may well be that, in practice, the special resolution regime under the Banking Act is more likely to be used to resolve our finance difficulties rather than the Plan.

c) Further issuances may negatively affect the market value of the original notes if they are treated as a separate series for U.S. federal income tax purposes.

We may, without the consent of the holders of outstanding notes, issue additional notes with identical terms. These additional notes, even if they are treated for non-tax purposes as part of the same series as the original notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional notes may be considered to have been issued with original issue discount ("**OID**") even if the original notes had no OID, or the additional notes may have a greater amount of OID than the original notes. These differences may negatively affect the market value of the original notes if the additional notes are not otherwise distinguishable from the original notes.

d) The notes may not be freely transferred.

We have not registered, and will not register, the notes under the Securities Act or any other applicable securities laws. Accordingly, the notes are subject to certain restrictions on resale and other transfer thereof as set forth in the section entitled "*Transfer Restrictions*." As a result of these restrictions, we cannot be certain of the existence of a secondary market for the notes or the liquidity of such a market if one develops. Consequently, a holder of notes and an owner of beneficial interests in those notes must be able to bear the economic risk of their investment in the notes for the term of the notes.

e) The notes rank junior to most of our liabilities.

The notes rank behind liabilities which are preferred by law

A substantial portion of claims against us in the event of a winding up or dissolution will rank ahead of claims in respect of the notes. Holders of notes and other unsubordinated creditors will, in an insolvency, rank junior to member share accounts, which are given preferential status under law.

The English insolvency regime applicable to us at the date of this Base Prospectus provides for:

(i) a first-ranking preference to those deposits and share accounts (or a relevant part thereof) of natural persons and micro, small and medium enterprises, which are actually protected by the Financial Services Compensation Scheme (the "**FSCS**") (i.e. are eligible for protection and do not exceed the FSCS coverage limit (being, as at the date of this Base Prospectus, £85,000)); and

(ii) a second-ranking preference to deposits and share accounts (or a relevant part thereof) of natural persons and micro, small and medium enterprises, which would be eligible for FSCS protection but for the fact that they either (a) exceed the coverage limit of the FSCS or (b) were made through a branch outside the EU. Such deposits and share accounts (or the relevant part thereof) will rank after the preferential debts referred to in paragraph (i) above but in priority to the claims of ordinary unsecured creditors that are not afforded preferential status in the event of an insolvency.

In a winding-up or dissolution, a substantial portion of the claims against us would be claims of our retail members, whose claims will rank ahead of claims in respect of the notes.

Relative ranking of notes issued under the program

On a winding-up or dissolution, claims in respect of senior preferred notes issued under the program will rank ahead of claims in respect of senior non-preferred notes (notwithstanding that senior preferred notes and senior non-preferred notes both share the 'senior' designation under the program, investors should note that the latter ranks behind the former), which in turn will rank ahead of claims in respect of subordinated notes.

Therefore, in a winding-up or dissolution, our assets available for distribution would be expected to be distributed:

1. firstly, in satisfaction of all claims which are preferred by law to claims in respect of senior preferred notes;

2. secondly, only if and to the extent any assets remain after the distributions above, in satisfaction of all claims in respect of senior preferred notes and any other ordinary non-preferential debts (as that term is defined in Section 387A of the Insolvency Act) on a *pro rata* basis;

3. thirdly, only if and to the extent any assets remain after the distributions above, in satisfaction of all claims in respect of senior non-preferred notes and any other secondary non-preferential debts (as that term is defined in Section 387A of the Insolvency Act) on a *pro rata* basis; and

4. fourthly, only if and to the extent any assets remain after the distributions above (and, if applicable, after distributions in respect of our subordinated liabilities which rank ahead of subordinated notes, if any), in satisfaction of all claims in respect of subordinated notes and any other tertiary non-preferential debts (as that term is defined in Section 387A of the Insolvency Act) which rank *pari passu* with subordinated notes, on a *pro rata* basis.

Accordingly, we may not have enough assets remaining after paying higher-priority creditors to pay amounts due under the relevant notes, and in such circumstances noteholders could lose some or all of their investment in the notes.

Relevance of ranking to recovery and resolution under the Banking Act

The ranking of notes in a winding up or dissolution can also be expected to have a direct impact on the relative losses imposed on noteholders in a resolution of the Society or upon use of the write-down and conversion powers under the Banking Act, as such resolution and write-down and conversion powers ought to be used in a manner that respects the hierarchy of claims in an ordinary insolvency. See "*The UK Banking Act 2009 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 us or any notes could materially adversely affect the value of any notes and/or the rights of noteholders*" above.

In addition, the senior non-preferred notes and subordinated notes are intended to contribute towards our MREL meaning that they are specifically intended to be available to resolution authorities for write-down, write-off or conversion to equity under the Banking Act in order to absorb losses and recapitalize us if we are failing, and before more senior-ranking creditors suffer losses. Accordingly, investors in our senior non-preferred notes and subordinated notes may lose all or substantially all of their investment while investors in our senior preferred notes suffer lower (or no) losses (although there can be no assurance that investors in senior preferred notes will not also suffer substantial losses). The market value of our senior non-preferred notes and subordinated notes may therefore be more severely adversely affected and/or more volatile if our financial condition deteriorates than the market value of our senior preferred notes. Accordingly, holders of our senior non-preferred notes may bear significantly more risk than holders of our senior preferred notes (notwithstanding that both share the 'senior' designation under the program), and holders of our subordinated notes may bear significantly greater risk than holders of our senior non-preferred notes.

In the event of insolvency, winding up or resolution, there is a real risk that investors in our senior preferred notes, senior non-preferred notes and/or subordinated notes would lose some or the entire amount of their investment. Furthermore, the market price of senior preferred notes, senior non-preferred notes and subordinated notes can be expected to be materially adversely affected if our financial condition deteriorates such that the market anticipates our insolvency, winding-up or resolution.

Noteholders agree to be bound by the exercise of any UK Bail-in Power by the Resolution Authority

In recognition of the resolution powers granted by law to the Resolution Authority, by acquiring any notes, each noteholder will acknowledge and accept that the Amounts Due (as defined in "*Terms and Conditions of the Notes*") arising under the notes may be subject to the exercise of the UK Bail-in Power (as defined in "*Terms and Conditions of the Notes*") and will acknowledge, accept, consent and agree to be bound by the effect of the exercise of any UK Bail-in Power by the Resolution Authority, that may result in (i) the reduction of all, or a portion, of the Amounts Due; (ii) the conversion of all, or a portion, of the Amounts Due on the notes into shares, deferred shares (including core capital deferred shares) or other securities or other of our obligations or another person (and the issue to or conferral on the noteholder of such shares, deferred shares or other securities or obligations), including by means of an amendment, modification or variation of the terms of the notes; (iii) the cancellation of the notes; (iv) the amendment or alteration of the maturity of the notes or amendment of the amount of interest payable on the notes, or the dates on which interest becomes payable, including by suspending payment for a temporary period. Each noteholder will further acknowledge, accept, consent and agree to be bound by the variation of the terms of the notes and Indenture, if necessary, to give effect to the exercise of the UK Bail-in Power by the Resolution Authority.

Accordingly, the UK Bail-in Power may be exercised in such a manner as to result in noteholders losing all or a part of the value of their investment in the notes, having payment on the notes suspended for a period of time or receiving a different security from the notes, which may be worth significantly less than the notes and which may have significantly fewer protections than those typically afforded to debt securities. Moreover, the Resolution Authority may exercise the UK Bail-in Power without providing any advance notice to, or requiring the consent of, the noteholders. In addition, the exercise of the UK Bail-in Power by the Resolution Authority with respect to the Notes is not an Event of Default under the notes or the Indenture or a breach or default thereunder, or an event of default or default for any other purpose.

f) The credit ratings of the program and any notes issued thereunder

The credit ratings of our medium-term note program may not reflect the potential impact of all risks relating to the value of the notes. In addition, real or anticipated changes in our credit ratings or the credit ratings of the notes will generally affect the market value of the notes. These credit ratings could change due to a wide range of factors, including but not limited to those discussed under "*—Liquidity and Funding.*" In general, EU regulated investors are restricted from using a rating for regulatory purposes in the EEA if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the EU or in the UK before June 7, 2010 which has submitted an application for registration in accordance with the EU CRA Regulation and such registration has not been refused. Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances).

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

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

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any credit rating downgrade, suspension or withdrawal could negatively impact the value of the notes.

g) The clearing systems.

These notes will be represented by one or more Global Notes. These notes will be deposited with a custodian on behalf of DTC or its nominee and/or in another clearing system. Except in limited circumstances, holders will not be entitled to receive certificated notes. DTC and/or any other relevant clearing system will maintain records of the beneficial interests in the Global Notes. Holders will be able to trade their beneficial interests only through DTC or such other clearing system, as applicable, or a participant of DTC such as Euroclear or Clearstream, or such other clearing system, as applicable. The laws of some jurisdictions, including some states in the United States, may require that certain purchasers of securities take physical delivery of such securities in certificated form. The foregoing limitations may impair a holder's ability to own, transfer or pledge its beneficial interests. A holder of beneficial interests in the Global Notes in one of these jurisdictions will not be considered the owner or "holder" of the notes.

We will discharge our payment obligations under the notes by making payments to the custodian for distribution to the holders of beneficial interests at DTC and/or any other relevant clearing system or a participant of DTC and/or any such other clearing system with respect to interests of indirect participants. We and the initial purchasers of the notes will not have any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes. A holder of beneficial interests must rely on the procedures of DTC and/or any other relevant clearing system or their participants, through which holders hold their interests, to receive payments under the notes. We cannot assure holders that the procedures of DTC or DTC's nominees, participants or indirect participants will be adequate to ensure that holders receive payments in a timely manner.

A holder of beneficial interests in the Global Notes will not have a direct right under the Indenture governing these notes to act upon solicitations we may request. Instead, holders will be permitted to act only to the extent they receive appropriate proxies to do so from DTC or, if applicable, DTC's participants or indirect participants or, in the case of any other relevant clearing system, in accordance with the relevant procedures of such clearing system. Similarly, if we default on our obligations under the notes, as a holder of beneficial interests in the Global Notes, holders will be restricted to acting through DTC and/or any other relevant clearing system or, if applicable, their participants or indirect participants. We cannot assure holders that the procedures of DTC and/or any other relevant clearing system or their nominees, participants or indirect participants will be adequate to allow them to exercise their rights under the notes in a timely manner.

h) Optional redemption.

An optional redemption feature is likely to limit the market value of notes. During any period when we may elect to redeem notes or there is a perception that we are able to redeem notes, the market value of those notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

We may be expected to redeem notes with an optional redemption feature (including any optional redemption right at our discretion on specified dates or in specified periods, any optional redemption right following certain changes in the taxation of any notes, any optional redemption right in respect of subordinated notes following the occurrence of a Regulatory Event, any optional redemption right in respect of senior non-preferred notes following the occurrence of a Loss Absorption Disqualification Event, or otherwise) when our cost of borrowing is lower than the interest rate on the notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the notes being redeemed and may only be able to do so at a significantly lower rate. Additionally, we may redeem the notes at times when prevailing interest rates are relatively low, and accordingly investors may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the notes. During any period when we may elect to redeem notes or there is a perception that we are able to redeem notes, the market value of such notes will generally not rise substantially above the price at which they may be redeemed. That may also be true prior to any redemption period. Potential investors should consider reinvestment risk in light of other investments available at that time.

i) Redemption of subordinated notes for regulatory reasons

In certain circumstances where we are unable to achieve the Tier 2 capital recognition of the subordinated notes including as a result of a change in the regulatory classification of the subordinated notes that was not reasonably foreseeable as at the issue date of the subordinated notes, the relevant subordinated notes may be redeemed prior to the stated Maturity Date. Our exercise of these rights may have an adverse effect on the position of holders of the subordinated notes. If such subordinated notes are to be so redeemed or there is a perception that such may be so redeemed, this may impact the market price of such notes.

j) Redemption of senior non-preferred notes following a Loss Absorption Disqualification Event

If so specified in the applicable Final Terms, we may redeem our senior non-preferred notes upon the occurrence of a Loss Absorption Disqualification Event. If such senior non-preferred notes are to be so redeemed or there is a perception that such may be so redeemed, this may impact the market price of such notes.

A Loss Absorption Disqualification Event shall be deemed to have occurred in respect of senior non-preferred notes if, as a result of any amendment to, or change in, any Loss Absorption Regulations, or any change in the application or official interpretation of any Loss Absorption Regulations, in any such case becoming effective on or after the issue date of such senior non-preferred notes, such senior non-preferred notes are or (in our opinion or the relevant Supervisory Authority) are likely to become fully or (if so specified in the applicable Final Terms) partially excluded from our minimum requirements (whether on an individual or consolidated basis) for (A) own funds and eligible liabilities and/or (B) loss absorbing capacity instruments, in each case as such

minimum requirements are applicable to us (whether on an individual or consolidated basis) and determined in accordance with, and pursuant to, the relevant Loss Absorption Regulations; provided that a Loss Absorption Disqualification Event shall not occur where the exclusion of the senior non-preferred notes from our minimum requirement(s) is due to the remaining maturity of such senior non-preferred notes being less than any period prescribed by any applicable eligibility criteria for such minimum requirements under the relevant Loss Absorption Regulations effective with respect to us on the issue date of such senior non-preferred notes.

As the implementation of the MREL regime and the requisite features of eligible liabilities instruments under that regime continue to evolve, it may not be possible to predict accurately if and when any of our senior non-preferred notes may be fully or partially excluded from our MREL requirements in the future. If any of our senior non-preferred notes are to be redeemed as a result of a Loss Absorption Disqualification Event or there is a perception that such notes may be so redeemed, this may impact the market price of such notes. In addition, 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 our senior non-preferred notes.

k) Substitution and variation of senior non-preferred notes following a Loss Absorption Disqualification Event

If so specified in the applicable Final Terms, we may, following a Loss Absorption Disqualification Event in respect of any senior non-preferred notes, without the need for any consent of the noteholders, substitute all (but not some only) of such senior non-preferred notes for, or vary the terms of such notes so that they remain or become, Loss Absorption Compliant Notes. The Loss Absorption Compliant Notes are required to have terms such that they rank as part of the class of Secondary Non-Preferential Debts; this is the case whether or not the senior non-preferred notes had become a part of the class of Ordinary Non-Preferential Debts as a result of the relevant Loss Absorption Disqualification Event. While (subject to such ranking requirement) Loss Absorption Compliant Notes are otherwise required to have terms which are not materially less favorable to noteholders than the terms of the relevant senior non-preferred notes (as we reasonably determine in consultation with an independent advisor of recognized standing), no assurance can be given that any such substitution or variation will not adversely affect any particular holder. In addition, the tax and stamp duty consequences of holding such substituted or varied notes could be different for some categories of noteholders from the tax and stamp duty consequences for them of holding the senior non-preferred notes prior to such substitution or variation.

l) Limitation on gross-up obligation under the subordinated notes and senior non-preferred notes.

Our obligation to pay additional amounts in respect of any withholding or deduction in respect of United Kingdom taxes under the terms of each series of subordinated notes and senior non-preferred notes applies only to payments of interest due and payable under such notes and not to payments of principal (which term, for these purposes, includes any premium or final redemption amount, early redemption amount, if any, or other amount payable in respect thereof). As such, we would not be required to pay any additional amounts under the terms of the subordinated notes or senior non-preferred notes to the extent any withholding or deduction for or on account of United Kingdom tax applied to payments of principal. Accordingly, if any such withholding or deduction were to apply to any payments of principal under any subordinated notes or any senior non-preferred notes, holders of such notes would, upon repayment or redemption of such notes, be entitled to receive only the net amount of such redemption or repayment proceeds after deduction of the amount required to be withheld. Therefore, holders may receive less than the full amount due under such notes, and the market value of such notes may be adversely affected.

m) U.S. tax consequences of substitution or variation in terms pursuant to a Loss Absorption Disqualification Event

If upon the occurrence of a Loss Absorption Disqualification Event we substitute all of the relevant series of senior non-preferred notes for, or varies the terms of such senior non-preferred notes so that they remain or, as appropriate, become, Loss Absorption Compliant Notes, such substitution or variation in terms might be treated

for U.S. federal income tax purposes as a deemed disposition of such senior non-preferred notes by a U.S. Holder (as defined below under "*Taxation—US Federal Income Taxation* ") in exchange for new notes. As a result of this deemed disposition, a U.S. Holder could be required to recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes) and the U.S. Holder's tax basis in the relevant senior non-preferred notes.

n) The regulation and reform of "benchmarks" may adversely affect the value of notes linked to or referencing such benchmarks.

Benchmarks Regulation and Reform

Interest rates and indices which are deemed to be "benchmarks" (including the euro interbank offered rate ("**EURIBOR**")), are the subject of recent and ongoing reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any notes linked to such a benchmark.

Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**") was published in the Official Journal of the EU on June 29, 2016 and has mostly applied, subject to certain transitional provisions, since January 1, 2018. The EU Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorized or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognized or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorized or registered (or, if non-EU based, not deemed equivalent or recognized or endorsed). The UK Benchmarks Regulation (Regulation (EU) No.2016/1011 as it forms part of domestic law by virtue of the EUWA), among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorized by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognized or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

IBOR replacement

There is continued regulatory scrutiny of use of inter-bank offered rates ("**IBORs**") and increasing pressure and momentum for banks and other financial institutions to transition relevant products to replacement rates.

For example, in the case of floating rate Eurobonds, bonds which would traditionally have referenced EURIBOR may move towards referencing the new €STR (although a reformed EURIBOR rate will continue to be published).

€STR and other replacement risk-free rates, such as SONIA and SOFR, operate on a backward-looking basis (predominantly on the basis of a daily compounding calculation, although weighted average alternatives have been seen in certain rates), rather than forward-looking term rates. While forward-looking term rates based on certain of these risk-free rates have been or are being developed, it is uncertain whether the capital markets will move to referencing those term rates for public bond issues, or if the regulators will allow such adoption.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Specifically, the euro risk free-rate working

group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, amongst other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On May 11, 2021 the euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates. The recommended fallback triggers include both cessation and pre-cessation triggers, including, inter alia, permanent cessation, non-representativeness and (potentially) unlawfulness triggers (the working group recommended against a material change in the EURIBOR methodology as defined by the European Money Markets Institute (EMMI) being an automatic trigger). For debt securities, based on support for the proposals from the public consultation and issuances already observed in the capital markets, the working group recommended the replacement rate to be €STR with a backward-looking lookback period methodology (with an observation shift methodology, although use of the lag approach was considered a robust alternative) and applying an adjustment spread based on a five-year historical median methodology.

The potential transition from IBORs to risk-free or other rates or benchmarks, the cessation of a benchmark or changes in the manner of administration of any benchmark could require an adjustment to the Terms and Conditions of the Notes, or result in other consequences, in respect of any Notes referencing such benchmark. Such factors may have (without limitation) also the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

Benchmark replacement under the Terms and Conditions of the Notes

If "*Benchmark Replacement*" is specified to be "Applicable" in the applicable Final Terms, the Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a Benchmark Event or, as the case may be, a Benchmark Transition Event, occurs in respect of the Original Reference Rate for the relevant series of notes, including (without limitation) if an inter-bank offered rate (such as EURIBOR) or other relevant reference rate (which could include, without limitation, SONIA, SOFR, €STR or any mid-swap rate), and/or any page on which such benchmark may be published, becomes unavailable, is the subject of a public announcement by the supervisor of the relevant administrator as no longer being representative of the market it is supposed to represent, or if we, or any other relevant party, are no longer permitted lawfully to calculate interest on any notes by reference to such benchmark under the UK Benchmarks Regulation and/or the EU Benchmarks Regulation, as applicable, or otherwise.

Such fallback arrangements include the possibility that the rate of interest could be set by reference to a Successor Rate, or an Alternative Rate or, as the case may be, a Benchmark Replacement (in each case as defined in the Terms and Conditions), with (in either case) application of an Adjustment Spread or, as applicable, a Benchmark Replacement Adjustment (which could be positive, negative or zero), and may include amendments to the Terms and Conditions of the Notes to ensure the proper operation of the Successor Rate or Alternative Rate, Benchmark Replacement, Adjustment Spread and/or Benchmark Replacement Adjustment, as applicable, all as determined by us (acting in good faith and in consultation with an Independent Advisor). However, we will not determine or implement a Successor Rate, an Alternative Rate, Benchmark Replacement, Adjustment Spread, Benchmark Replacement Adjustment, or any Benchmark Amendments or any Benchmark Conforming Changes (as the case may be) if and to the extent that, in our determination, the same could reasonably be expected to impact adversely the treatment of the notes under the prudential or loss-absorption regulations in certain respects, as more fully described under "*Terms and Conditions of the Notes*". It is possible that the adoption of a Successor Rate, Alternative Rate or Benchmark Replacement and (in either case) the applicable Adjustment Spread or Benchmark Replacement Adjustment may result in a rate of interest less favorable to holders than the Original Reference Rate.

There is also a risk that the relevant fallback provisions may not operate as expected or as intended at the relevant time, which could increase uncertainty and negatively impact the market value of the notes.

Floating Rate Notes issued under the Program could effectively become Fixed Rate Notes

Furthermore, in certain circumstances, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Period may result in the Rate of Interest for the last preceding Interest Accrual Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page or, in the case of Reset Notes, the application of the previous reset Rate of Interest for a preceding Reset Period, or for the First Reset Rate of Interest, the application of the Initial Rate of Interest applicable to such notes on the Interest Commencement Date or a rate based on the Mid-Swap Fallback Rate, which could adversely affect the market value of an investment in the notes.

Investors should consult their own independent advisors and make their own assessment about the potential risks imposed by the UK Benchmarks Regulation and/or the EU Benchmarks Regulation, as applicable, reforms and the possible application of the benchmark replacement provisions of the notes in making any investment decision with respect to any notes referencing a benchmark.

o) The market continues to develop in relation to SOFR and SONIA as reference rates

Where the applicable Final Terms for a Series of Floating Rate Notes identifies that the Rate of Interest for such notes will be determined by reference to SOFR or SONIA, the Rate of Interest will be determined on the basis of the relevant reference rate as described in the terms and conditions of the notes. SOFR and SONIA differ from interbank offered rates in a number of material respects, including (without limitation) that SOFR and SONIA are backwards-looking, risk-free overnight rates, whereas IBOR are expressed on the basis of a forward-looking term and includes a risk-element based on inter-bank lending. As such, investors should be aware that SOFR or SONIA may behave materially differently than interbank offered rates historically used in issues of floating rate notes under this Program. The use of SOFR or SONIA as reference rates for Eurobonds is subject to continued change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing SOFR or SONIA.

Accordingly, prospective investors in any notes referencing SOFR or SONIA should be aware that the market continues to develop in relation to SOFR and SONIA as reference rates in the capital markets and their adoption as alternatives to interbank offered rates. For example, in the context of backwards-looking SOFR and SONIA rates, market participants and relevant working groups have explored different methodologies, such as daily compounding rates and weighted average rates, and forward-looking 'term' SOFR and SONIA reference rates (which seek to measure the market's forward expectation of an average SOFR or SONIA rate over a designated term) have also been, or are being, developed. The adoption of SOFR or SONIA may also see component inputs into swap rates or other composite rates transferring from IBOR or another reference rate to SOFR or SONIA, as applicable.

The market or a significant part thereof may adopt an application of SOFR or SONIA that differs significantly from that set out in "*Terms and Conditions of the Notes*" as applicable to notes referencing a SOFR or SONIA rate that are issued under this Base Prospectus. In addition, the methodology for determining any overnight rate index by reference to which the Rate of Interest in respect of certain Notes may be calculated could change during the life of any Notes. Furthermore, we may in future issue notes referencing SOFR or SONIA that differ materially in terms of interest determination when compared with any previous SOFR or SONIA-referenced notes that we issue under the medium-term note program described in this Base Prospectus. The nascent development of SOFR and SONIA as interest reference rates for the Eurobond markets, as well as continued development of SOFR and SONIA-based rates for such market and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of any SOFR or SONIA-referenced notes issued under the medium term note program described in this Base Prospectus.

Furthermore, the Rate of Interest on notes which reference SOFR or SONIA is only capable of being determined at the end of the relevant Observation Period and immediately prior to the relevant Interest Payment

Date. It may be difficult for investors in notes which reference SOFR or SONIA to estimate reliably the amount of interest which will be payable on such notes, and some investors may be unable or unwilling to trade such notes without changes to their IT systems, both of which factors could adversely impact the liquidity of such notes. Further, in contrast to IBOR-based notes, if notes referencing SOFR or SONIA become due and payable as a result of an Event of Default under "*Terms and Conditions of the Notes—Events of Default—Senior Preferred Notes*" and "*Terms and Conditions of the Notes—Events of Default—Subordinated Notes and Senior Non-Preferred Notes*" (as applicable), or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Rate of Interest payable in respect of such notes shall only be determined immediately prior to the date on which the notes become due and payable.

In addition, the manner of adoption or application of SOFR or SONIA reference rates in the bond markets may differ materially compared with the application and adoption of SOFR or SONIA in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SOFR or SONIA reference rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of notes referencing SOFR or SONIA.

Investors should carefully consider these matters when making their investment decision with respect to any such notes.

p) SOFR may be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in the notes.

SOFR is published by the Federal Reserve Bank of New York and is intended to be a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. The Federal Reserve Bank of New York reports that the Secured Overnight Financing Rate includes all trades in the Broad General Collateral Rate, plus bilateral Treasury repurchase agreement transactions cleared through the delivery-versus-payment service offered by the Fixed Income Clearing Corporation (the "FICC"), a subsidiary of the Depository Trust and Clearing Corporation ("DTCC"). The Secured Overnight Financing Rate is filtered by the Federal Reserve Bank of New York to remove a portion of the foregoing transactions considered to be "specials".

The Federal Reserve Bank of New York reports that the Secured Overnight Financing Rate is calculated as a volume-weighted median of transaction-level tri-party repurchase agreement data collected from The Bank of New York Mellon as well as General Collateral Finance repurchase agreement transaction data and data on bilateral Treasury repurchase transactions cleared through the FICC's delivery-versus-payment service. The Federal Reserve Bank of New York notes that it obtains information from DTCC Solutions LLC, an affiliate of DTCC. The Federal Reserve Bank of New York notes on its publication page for the Secured Overnight Financing Rate that use of the Secured Overnight Financing Rate is subject to important limitations and disclaimers, including that the Federal Reserve Bank of New York may alter the methods of calculation, publication schedule, rate revision practices or availability of the Secured Overnight Financing Rate at any time without notice.

Because the Secured Overnight Financing Rate is published by the Federal Reserve Bank of New York based on data received from other sources, we have no control over its determination, calculation or publication. There can be no guarantee that the Secured Overnight Financing Rate will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in notes linked to SOFR. If the manner in which the Secured Overnight Financing Rate is calculated is changed, that change may result in a reduction of the amount of interest payable on the notes linked to SOFR and the trading prices of such notes. If the rate at which interest on the notes linked to SOFR accrues on any day declines to zero or becomes negative, no interest will be payable on such notes in respect of that day.

The Federal Reserve Bank of New York began to publish the Secured Overnight Financing Rate in April 2018. The Federal Reserve Bank of New York has also begun publishing historical indicative Secured Overnight Financing Rates going back to 2014. Investors should not rely on any historical changes or trends in the Secured Overnight Financing Rate as an indicator of future changes in the Secured Overnight Financing Rate. Also, since the Secured Overnight Financing Rate is a relatively new market index, notes linked to SOFR will likely have no

established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities indexed to the Secured Overnight Financing Rate, such as the spread over the index reflected in interest rate provisions, may evolve over time, and trading prices of notes linked to SOFR may be lower than those of later-issued indexed debt securities as a result. Similarly, if the Secured Overnight Financing Rate does not prove to be widely used in securities like the notes linked to SOFR, the trading price of such notes may be lower than those of bonds linked to indices that are more widely used. Investors in notes linked to SOFR may not be able to sell such notes at all or may not be able to sell such notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

q) If the notes include a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, or are Reset Notes, this may affect the secondary market and the market value of the notes concerned.

Floating Rate/fixed rate notes may bear interest at a rate that may convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market and the market value of such notes as the change of interest basis may result in a lower interest return for noteholders. Where the notes convert from a fixed rate to a floating rate, the spread on the floating rate/fixed rate notes may be less favorable than then prevailing spreads on comparable floating rate notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other notes. Where the notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on our notes and could affect the market value of an investment in such notes.

In the case of any series of Reset Notes, the rate of interest on such Reset Notes will be reset by reference to the Reset Reference Rate, as adjusted for any applicable margin, on the reset dates specified in the relevant Final Terms. This is more particularly described in "*Terms and Conditions of the Notes—Interest—Interest on Reset Notes*". The reset of the rate of interest in accordance with such provisions may affect the secondary market for and the market value of such Reset Notes. Following any such reset of the rate of interest applicable to the notes, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest on the relevant Reset Notes may be lower than the Initial Rate of Interest, the First Reset Rate of Interest and/or any previous Subsequent Reset Rate of Interest, which could affect the market value of an investment in such notes.

r) Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.

The market values of notes issued at a substantial discount or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing notes. Generally, the longer the remaining term of the notes, the greater the price volatility as compared to conventional interest-bearing notes with comparable maturities. This price volatility could adversely affect the market value of an investment in the notes.

s) The value of the notes could be adversely affected by a change in the laws of the State of New York, English law or administrative practice.

The conditions of the notes are based on the laws of the State of New York in effect as at the date of this Base Prospectus, except that the subordination and ranking provisions in each of the Indenture, the subordinated notes and the senior non-preferred notes are based on the laws of England in effect as at the relevant issue date. No assurance can be given as to the impact of any possible judicial decision or change to law or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any notes affected by it.

t) The value of fixed rate notes may be adversely affected by movements in market interest rates.

Investment in fixed rate notes involves the risk that if market interest rates subsequently increase above the rate paid on the fixed rate notes, this will adversely affect the value of the fixed rate notes.

u) An active secondary market in respect of the notes may never be established or may be illiquid and this would adversely affect the value at which investors could sell their notes.

The notes are new securities which may not be widely distributed and for which there is currently no active trading market. If the notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and our financial condition. Although we have applied to admit the notes issued from time to time to listing on the Official List and to admit them to trading on the London Stock Exchange's main market, we cannot guarantee that the notes will be accepted for listing or admitted to trading or that an active trading market will develop. Accordingly, we cannot guarantee the development or liquidity of any trading market for the notes. If a market for the notes does develop, it may not be very liquid and may be sensitive to changes in financial markets. Therefore, investors may not be able to sell their notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This may in particular be the case should we be in financial distress, which may result in any sale of the notes having to be at a substantial discount to their principal amount.

Potential investors should note that, in view of prevailing and widely reported global credit market conditions (which continue at the date hereof), the secondary market for the notes and for instruments of this kind may be illiquid. We cannot predict when and how these circumstances will change. Liquidity in the notes may also be disrupted by the recent market disruptions referred to above.

v) If investors hold notes which are not denominated in the investors' home currency, they will be exposed to movements in exchange rates adversely affecting the value of their holding. In addition, the imposition of exchange controls in relation to any notes could result in an investor not receiving payments on those notes.

We will pay principal and interest on the notes in the Specified Currency (as defined below). 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 the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the notes, (2) the Investor's Currency equivalent value of the principal payable on the notes and (3) 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 or our ability to make payments in respect of the notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

USE OF PROCEEDS

We will use the net proceeds of each issue of notes for general corporate purposes and, with regard to subordinated notes, to strengthen our capital base or as otherwise specified in the applicable Final Terms in respect of any notes. We may also use a portion of the net proceeds from any note issuance to acquire companies or assets that are complementary to our business, although we do not currently have any acquisitions planned. See the section entitled "*Description of Business*" for a detailed description of our funding needs.

CAPITALIZATION AND INDEBTEDNESS

The following is a summary of our consolidated capitalization and indebtedness extracted from our audited consolidated financial statements as at April 4, 2023:

	April 4, 2023
	(£ million)
Consolidated Indebtedness[(1)]	
Deposits from banks	25,056
Other deposits	5,191
Debt securities in issue	27,626
Total Senior Debt	**57,873**
Subordinated liabilities[(1)(2)(6)]	**6,755**
Total Subordinated Debt	**6,755**
Permanent Interest Bearing Shares[(1)(3)(4)]	**173**
Total Permanent Interest Bearing Shares	**173**
Members' Funds	
CCDS[(1)]	1,233
Other equity instruments[(1)]	1,336
General reserve	14,184
Revaluation reserve	38
Cash flow hedge reserve	176
Fair value through other comprehensive income reserve	(14)
Other hedging reserve	(47)
UK retail member deposits[(1)(4)]	187,143
Total members' funds	**204,049**
Total capitalization	**268,850**

Notes:

(1) If we were to go into liquidation, the claims in respect of senior preferred notes and other unsubordinated creditors would rank junior to obligations required to be preferred by law (which includes certain member share accounts which are given preferential status by law), but would rank before those of senior non-preferred and subordinated debt holders. The claims of holders of permanent interest bearing shares ("**PIBS**") rank behind those of all other creditors, including subordinated debt holders. The claims of the holders in respect of our AT1 instruments would rank behind those in respect of our PIBS, and the claims in respect of our CCDS would rank behind claims in respect of our AT1 instruments.

(2) For consistency with other indebtedness, accrued interest of £58 million is included.

(3) For consistency with other indebtedness, accrued interest of £2 million is included.

(4) The fixed rate PIBS are repayable, at the option of the Society, in whole on the initial call date or every fifth anniversary thereafter. If not repaid on a call date then the interest rate is reset at a margin to the yield on the then prevailing five year benchmark gilt rate. Initial call dates are in October 2024, February 2026 and March 2030, respectively. The floating rate PIBS payable at 4.2% above SONIA is callable on September 2030.

(5) Our rules provide that members may withdraw all or any of their investments by giving appropriate notice specifying the amount to be withdrawn. Members may also make an immediate withdrawal of their investments subject to a possible loss of interest. Our board of directors (the "**Board**") has the power to suspend or limit the payment of withdrawals when, in its discretion, it considers it necessary.

(6) Subordinated debt comprises of two issues maturing 2024, four issues maturing 2026, one issue maturing 2027, four issues maturing 2028, three issues maturing 2029, two issues maturing 2030, and one issue maturing in 2031, a number of which are callable ahead of maturity.

During the year ended April 4, 2023, the Group repurchased 775,608 (7.3%) of £1 CCDS at prices ranging from £130.79 to £130.87 per share. The repurchased CCDS were not cancelled, instead being retained by the Group. Except as otherwise disclosed in this Base Prospectus, there has been no material change in our consolidated capitalization, indebtedness, guarantees or contingent liabilities since April 4, 2023.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

The following tables present selected consolidated information which has been extracted from our audited consolidated financial statements as at and for the years ended April 4, 2023, 2022 and 2021.

The following data should be read in conjunction with our audited consolidated financial statements and the notes thereto incorporated by reference herein as well as the section entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*":

	For the year ended April 4,			
	2023[1]	**2023**	**2022**	**2021**
	($ million)		*(£ million)*	
Income Statement Data:				
Interest receivable and similar income	10,630	8,825	4,512	4,124
Interest expense and similar charges	(5,212)	(4,327)	(950)	(978)
Net interest income	**5,418**	**4,498**	**3,562**	**3,146**
Fee and commission income	521	432	475	379
Fee and commission expense	(375)	(311)	(218)	(231)
Other operating income/(expense)	65	54	48	(9)
(Losses) /gains from derivatives and hedge accounting	(5)	(4)	(7)	34
Total income	**5,624**	**4,669**	**3,860**	**3,319**
Administrative expenses	(2,798)	(2,323)	(2,234)	(2,218)
Impairment release/(charge) on loans and advances to customers	(152)	(126)	27	(190)
Provisions for liabilities and charges	11	9	(56)	(88)
Profit before tax	**2,685**	**2,229**	**1,597**	**823**
Analyzed as:				
Underlying profit before tax	2,690	2,233	1,604	790
Financial Sector Compensation Scheme and Bank Levy	-	-	-	(1)
(Losses) /gains from derivatives and hedge accounting	(5)	(4)	(7)	34
Statutory profit before tax	**2,685**	**2,229**	**1,597**	**823**
Taxation	(681)	(565)	(345)	(205)
Profit after tax	**2,004**	**1,664**	**1,252**	**618**

Note:

(1) Dollar amounts are unaudited and have been derived from our audited consolidated financial statements as of and for the year ended April 4, 2023 using the average exchange rate of $1.20 to £1.00.

	As at April 4,			
	2023[1]	**2023**	**2022**	**2021**
	($ million)		*(£ million)*	
Balance Sheet Data				
Assets:				
Cash	32,071	25,635	30,221	16,693
Loans and advances to banks and similar institutions	3,578	2,860	3,052	3,660
Investment securities	34,548	27,615	25,484	25,473
Derivative financial instruments	8,661	6,923	4,723	3,809
Fair value adjustment for portfolio hedged risk	(6,269)	(5,011)	(2,443)	946
Loans and advances to customers	263,699	210,782	208,066	201,547
Intangible assets	1,078	862	913	1,101
Property, plant and equipment	931	744	880	1,018
Accrued income and prepaid expenses	378	302	252	213
Deferred Tax	149	119	59	72
Current tax assets	19	15	33	—
Other assets	126	101	106	210
Retirement benefit assets	1,183	946	1,008	172
Total assets	**340,152**	**271,893**	**272,354**	**254,914**
Liabilities and members' interest in equity:				
Shares	234,125	187,143	177,967	170,313
Deposits from banks and similar institutions	31,346	25,056	36,425	27,022
Other deposits	6,494	5,191	5,208	4,522
Fair value adjustment for portfolio hedged risk	3	2	11	25
Debt securities in issue	34,562	27,626	25,629	27,923
Derivative financial instruments	1,907	1,524	1,428	1,622
Other liabilities	869	695	668	933
Provisions for liabilities and charges	103	82	153	159
Accruals and deferred income	418	334	299	307
Subordinated liabilities	8,451	6,755	8,250	7,575
Subscribed capital	216	173	187	243
Deferred Tax	508	406	430	150
Current tax liabilities	—	—	—	7
Core capital deferred shares (CCDS)	1,543	1,233	1,334	1,334
Other equity instruments	1,671	1,336	1,336	1,336
General reserve	17,745	14,184	12,753	11,140
Revaluation reserve	48	38	46	44
Cash flow hedge reserve	220	176	184	195
Other hedging reserve	(59)	(47)	(43)	(46)
Fair value through other comprehensive income reserve	(18)	(14)	89	110
Total members' interests, equity and liabilities	**340,152**	**271,893**	**272,354**	**254,914**

Notes:

(1) Dollar amounts are unaudited and have been derived from our audited consolidated financial statements as of and for the year ended April 4, 2023 using the closing exchange rate of $1.25 to £1.00.

	As at and for the year ended April 4,		
	2023	**2022**	**2021**
Other Financial Data		*(percentages)*	
Return on average total assets[1]	0.58	0.44	0.24
Net interest margin	1.57	1.26	1.21

	As at and for the year ended April 4,		
	2023	**2022**	**2021**
Other Financial Data		*(percentages)*	
Underlying cost income ratio [(2)]	49.7	57.8	67.5
Ratio of administrative expenses to mean total assets[(3)]	0.85	0.83	0.88
Capital ratios			
CET1	26.5	24.1	36.4
Total Tier 1	**29.1**	**26.6**	**40.5**
Total regulatory capital	**32.7**	**31.8**	**49.1**
Leverage ratio[(4)]	6.0	5.4	5.4

Notes:

(1) Return on average total assets represents profit on ordinary activities after tax as a percentage of average total assets. Average balances are based on the balance as at the end of each month during the financial year.

(2) These ratios, which are APMs, are measures of efficiency and present administrative expenses as a proportion of total income.

(3) This ratio represents administrative expenses as a percentage of the average of total assets at the start and end of each period.

(4) The PRA simplified the leverage framework by applying a single Leverage Exposure Measure (LEM), which excludes central bank claims, from January 1, 2022. This metric is used by the PRA for the purposes of supervising the capital adequacy of financial institutions in the UK. The simplification of the leverage framework has resulted in the removal of the CRR leverage ratio, which included central bank claims, from the table. The "UK" prefix that was included in 2021 to distinguish between the two ratios is no longer required and we now only refer to the leverage ratio.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is based on, and should be read in conjunction with, our selected consolidated financial and operating information and our audited consolidated financial statements incorporated by reference herein. We prepared our financial statements in accordance with IFRS, which differs in certain significant respects from generally accepted accounting principles in the United States.

Overview

We are a building society, regulated by the FCA in relation to conduct of business matters and by the PRA in relation to prudential requirements. Our core business is providing personal financial services, primarily residential mortgage lending funded largely through retail savings. As a mutual organization, other than in respect of a relatively small amount of funding provided by investors in our deferred shares (including our PIBS, AT1 instruments and CCDS), we are not funded by shareholders, which means that we are managed for the benefit of our members, who are our current account, retail savings and residential mortgage customers (as well as the holders of our deferred shares), rather than for equity shareholders. We return value to our members by offering typically higher interest rates on savings and lower interest rates on loans than those offered by our main competitors. As a result, we generally earn lower pre-tax profits than our main competitors, which are primarily banks or other non-mutual organizations. As a mutual organization, we pay no dividends (although we pay periodic investment returns on our CCDS at our discretion and interest on our AT1 and tier 2 capital securities), and our net earnings are put into reserves and constitute CET1 capital for our capital adequacy requirements. For information regarding UK capital adequacy requirements, see the subsection entitled "*—Financial Condition of Nationwide—Capital Resources*" below.

Financial Performance

Underlying profit before tax for the year has improved to £2,233 million (April 4, 2022: £1,604 million) and Statutory profit before tax increased to £2,229 million (April 4, 2022: £1,597 million), reflecting income growth, partially offset by higher costs and charges for credit impairments. The macroeconomic outlook remains highly uncertain with many of our members facing a cost of living increase.

Total underlying income increased by £806 million, as our net interest margin (NIM) increased to 1.57% (April 4, 2022: 1.26%). Mortgage income increased as a result of stronger new business margins across the market during 2022 and robust lending in the year. Income was further supported by the better-than-expected macroeconomic performance over the past year. Member financial benefit has increased by £730 million to £1,055 million (2022: £325 million), supported by our stronger savings proposition. In 2022/23, we provided £1,055 million of member financial benefit, above our target of at least £400 million.

Our capital position remains strong. The CET1 ratio increased to 26.5% (April 4, 2022: 24.1%) largely following a move from point in time to hybrid through-the-cycle credit risk models. The leverage ratio increased to 6.0% (April 4, 2022: 5.4%), with Tier 1 capital increasing by £1.3 billion as a result of the CET1 capital movements. We have continued to support our members' borrowing and lending needs during the year, and as a result have delivered robust growth in our deposit and mortgage balances. Total residential mortgage lending was £33.6 billion (April 4, 2022: £36.5 billion). Our market share of mortgage balances was 12.2% in the year ended April 4, 2023 (2022: 12.4%). Net deposit growth of £9.1 billion (April 4, 2022: £7.7 billion) was primarily driven by competitive new savings product propositions. Our market share of all deposit balances grew to 9.6% (April 4, 2022: 9.4%).

Total costs have increased by £89 million to £2,323 million (April 4, 2022: £2,234 million) largely due to inflation. The costs in the year include £40 million cost of living support to colleagues and customers, and incremental investment in financial crime controls (£16 million) and technology resilience particularly of payment systems (£26 million), to ensure members' money is safe and always accessible. Redundancy costs have increased by £32 million as we created efficiencies within our support functions and other operating costs reduced by £21 million as there was not a repeat of historical fraud losses of £16 million seen in 2022. Depreciation is lower by

£72 million largely due to a high one-off charge in 2022 for accelerated amortization (£53 million) relating to the shortening of the useful economic life of specific intangible assets.

Over the past financial year, the UK had experienced a deterioration in the economic outlook, with expected future increases in arrears due to affordability pressures. As a result, the credit impairment charges are higher at £126 million for the year (April 4, 2022: £27 million release). However, the credit quality of our lending portfolios remains strong with low levels of arrears.

Impact of Economic Conditions in the UK Generally and Outlook

During the period, the UK has experienced continued economic uncertainty, with rising energy prices driving an increase in the cost of living and contributing to a high inflationary environment. This has increased pressure on household affordability.

In addition to this, increases in the Bank Rate have led to higher institutional borrowing costs and in turn higher interest rates for consumers. A £77 million adjustment to modelled provisions has been introduced as of April 4, 2023 for the affordability risk associated with the combined risks of rising inflation, increasing interest rates and credit indicators which are judged to be temporary, such as reduced levels of arrears.

Despite this, observed credit quality and performance have remained broadly stable. Performance has benefited from the impact of government energy support schemes, with residential mortgages and consumer banking arrears remaining at a low level relative to recent years. Help and support continues to be provided for members who are struggling as a result of increases in their cost of living, with concessions granted based on consideration of their individual circumstances.

The combined pressure of high inflation and rising interest rates has also led to a reduction in housing market activity, with a reduction in house prices of 3.1% in the year ended April 4, 2023.

Net Interest Income

Net interest income ("**NII**") increased by £936 million, or 26.3% in the year ended April 4, 2023 to £4,498 million from £3,562 million in the year ended April 4, 2022. Increases in the Bank Rate have led to an increase in net interest income, reflecting the timing and the level of pass through of interest rate changes to savings products, partially offset by a decline in mortgage net interest income. Member financial benefit has increased, as Nationwide has passed a greater proportion of interest rate rises to savings products than the market average rate increase.

The table below shows the calculation of net interest margin for the years ended April 4, 2023, 2022 and 2021.

	For the year ended April 4,		
	2023	**2022**	**2021**
	(*£ million, except percentages*)		
Net interest income.....	4,498	3,562	3,146
Weighted average total assets.....	285,610	281,872	260,500
Net interest margin.....	**1.57%**	**1.26%**	**1.21%**

Globally, economies recovered more swiftly than expected, with original concerns about weak growth replaced by concerns about high inflation and labor supply shortages. All major central banks have continued to tighten monetary policy as a response, to ensure that high inflation does not become embedded in expectations and wage settlements. Due to high inflation squeezing households' real incomes and monetary tightening, growth prospects have cooled, especially in the UK and the Eurozone, which have been affected by the war in Ukraine. Continued uncertainty is expected within the UK economy, with interest rates continuing to rise in an effort to curb rising inflation. These factors, coupled with the temporary nature of the energy price cap that limits the

amount energy providers can charge consumers, signal that there is likely to be more pressure on household budgets, causing a deterioration in credit performance.

The competitive environment remains intense as ring-fenced banks with cheaper funding and excess liquidity have continued to focus on our core markets and new market entrants, seeking to exploit new technologies, look to grow market share. Our strategic response is to diversify our product range in response to specific customer needs, including initiatives such as later life lending.

Interest Rate Management

Because the majority of our assets and liabilities are either floating rate instruments or synthetically converted to floating rate instruments using derivatives, variations in market interest rates have a direct impact on our interest income and interest expense. Fluctuations in market interest rates, however, give us the opportunity to manage our interest rate margins and, for most of our assets and liabilities, we can re-price the interest rate that we offer, subject to market and competitive pressures.

The table below shows the daily average SONIA rates and average Bank of England base rates for the years ended April 4, 2023, 2022 and 2021.

	For the year ended April 4,		
	2023	**2022**	**2021**
		(%)	
Daily average SONIA	2.28	0.15	0.06
Average Bank of England base rate	2.34	0.20	0.10

Interest rate risk arises from the mortgage, savings and other financial services products that we offer. The varying interest rate features and maturities of retail products and wholesale funding create exposures to interest risks. This is due to the imperfect matching of variable interest rates, in particular the Bank of England base rate, and timing differences on the re-pricing of assets and liabilities. The risk is managed through the use of derivatives and other appropriate financial instruments and through product design.

Interest rates started to rise in December 2021 to combat higher inflation embedding within the economy. As at April 4, 2022, the rate was 0.75%. The Bank of England Monetary Policy Committee voted to raise its Bank Rate on ten consecutive occasions since April 2022 to a rate of 5.00% as of June 2023, with the aim of returning inflation to the 2% target in the medium term.

The BMR is guaranteed to be no more than 2% above the Bank Rate. This rate is significantly lower than the equivalent standard variable rate charged by our peers and the SMR onto which our mortgages advanced since April 2009 revert. This has the effect of compressing our mortgage margins and reducing the flexibility with which these margins can be managed. However, the BMR portfolio is well seasoned, has low arrears rates and low possession rates, which partly compensates for the low margin it yields.

Results of Operations for the Year Ended April 4, 2023 Compared with the Year Ended April 4, 2022

Introduction

The UK economy has experienced a period of uncertainty, with rising energy prices driving an increase in the cost of living and contributing to a high inflationary environment throughout the year. Additionally, increases to the Bank Rate have increased the cost of borrowing and put further pressure on household affordability. Despite this, Nationwide's observed credit quality and performance have remained broadly stable. Our performance has benefited from the impact of government energy support schemes, with residential mortgages and consumer banking arrears remaining at a low level relative to recent years.

Underlying profit before tax for the year ended April 4, 2023 was £2,233 million (April 4, 2022: £1,604 million), with statutory profit before tax for the half year increasing to £2,229 million (April 4, 2022: £1,597

million). This profitability has supported us in maintaining a capital position materially above regulatory requirements, with our CET1 and leverage ratios at 26.5% and 6.0%, respectively (April 4, 2022: 24.1% and 5.4%, respectively).

Our net interest margin ("**NIM**") has improved to 1.57% (April 4, 2022: 1.26%). Increases in the Bank Rate have led to an increase in net interest income, reflecting the timing and the level of pass through of interest rate changes to savings products, partially offset by a decline in mortgage net interest income. Member financial benefit has increased, as Nationwide has passed a greater proportion of interest rate rises to savers than the market average.

Over the past financial year, the UK had experienced a deterioration in the economic outlook, with expected future increases in arrears due to affordability pressures. As a result, the credit impairment charges are higher at £126 million for the year (April 4, 2022: £27 million release). However, the credit quality of our lending portfolios remains strong with low levels of arrears. Administrative expenses increased by £89 million to £2,323 million (April 4, 2022: £2,234 million). The costs in the year include £40 million cost of living support to colleagues and customers, and incremental investment in financial crime controls (£16 million) and technology resilience particularly of payment systems (£26 million), to ensure members' money is safe and always accessible. Redundancy costs have increased by £32 million as we create efficiencies within our support functions and other operating costs reduce by £21 million as there is not a repeat of historical fraud losses of £16 million seen in 2022. Depreciation is lower by £72 million largely due to a high one-off charge in 2022 for accelerated amortization (£53 million) relating to the shortening of the useful economic life of specific intangible assets.

We have seen significant net deposit growth of £9.1 billion during the year (April 4, 2022: £7.7 billion), due to competitive new savings product propositions. Our market share of all deposit balances has increased to 9.6% (April 4, 2022: 9.4%). Our total residential mortgage lending reduced to £33.6 billion (April 4, 2022: £36.5 billion). Our market share of mortgage balances was 12.2% (April 4, 2022: 12.4%).

We maintain a strong liquidity position, with an average Liquidity Coverage Ratio (LCR) of 180% for the 12 months ended April 4, 2023 (April 4, 2022: 183%). We continue to manage our liquidity against internal risk appetite which is more prudent than regulatory requirements.

Profit before tax on a reported basis and underlying basis are set out below. Certain aspects of our results are presented to reflect management's view of the underlying results and to provide a clearer representation of our performance.

	For the year ended April 4, 2023			
	Underlying profit	**FSCS and bank levy**	**Gain from derivatives and hedge accounting**	**Statutory profit**
	(£ million)			
Net interest income	4,498			4,498
Other income	175			175
Movements on derivatives and hedge accounting[(1)]			(4)	(4)
Total income	**4,673**	**—**	**(4)**	**4,669**
Administrative expenses	(2,323)	—	—	(2,323)
Pre-provision underlying profit	**2,350**	**—**	**(4)**	**2,346**
Impairment release	(126)	—	—	(126)
Provisions for liabilities and charges	9	—	—	9
Profit before tax[(2)]	**2,233**	**—**	**(4)**	**2,229**

Notes:

(1) Although derivatives are only used to hedge market risks, income statement volatility can still arise due to hedge accounting ineffectiveness or because hedge accounting volatility is largely attributable accounting rules which do not fully reflect the economic reality of the hedging strategy.

(2) Underlying profit represents management's view of underlying performance. The following items are excluded from statutory profit to arrive at underlying profit:

- Although we only use derivatives to manage risks, their impact can be volatile. This volatility is largely due to accounting rules that do not fully reflect the economic reality of our approach to hedging financial risks.
- FSCS credits, which are excluded from statutory profit, are from FSCS recoveries related to failures provided for in previous years. Ongoing FSCS management expenses are included within underlying profit.

	For the year ended April 4, 2022			
	Underlying profit	**FSCS and bank levy**	**Gain from derivatives and hedge accounting**	**Statutory profit**
		(£ million)		
Net interest income	3,562			3,562
Other income	305			305
Movements on derivatives and hedge accounting			(7)	(7)
Total income	**3,867**	**—**	**(7)**	**3,860**
Administrative expenses	(2,234)	—	—	(2,234)
Pre-provision underlying profit	**1,633**	**—**	**(7)**	**1,626**
Impairment losses	27	—	—	27
Provisions for liabilities and charges	(56)	—	—	(56)
Profit before tax	**1,604**	**—**	**(7)**	**1,597**

The following discussion considers our results for the year ended April 4, 2023 compared to our results for the year ended April 4, 2022:

Total income

Our total income increased to £4,669 million in the year ended April 4, 2023 compared to £3,860 million in the year ended April 4, 2022. The following table sets forth the components of income for the years ended April 4, 2023 and 2022, respectively:

	For the year ended April 4,	
	2023	**2022**
	(£ million)	
Net interest income	4,498	3,562
Net fees and commissions	121	257
Other operating income	54	48
(Losses) /gains from derivatives and hedge accounting	(4)	(7)
Total	**4,669**	**3,860**

Net interest income

NII increased by 26.3% to £4,498 million for the year ended April 4, 2023 compared with £3,562 million for the year ended April 4, 2022. Increases in the Bank Rate have led to an increase in net interest income, reflecting the timing and the level of pass through of interest rate changes to savings products, partially offset by a decline in mortgage net interest income. Member financial benefit has increased, as Nationwide has passed a greater proportion of interest rate rises to savers than the market average.

The following table sets forth the components of net interest income for the years ended April 4, 2023 and 2022, respectively:

	For the year ended April 4,	
	2023	**2022**
	(£ million)	
Interest and similar income:		
On residential mortgages	4,904	4,278
On other loans	602	531
On investment securities	2	10
On investment securities measured at FVOCI	310	134
On other liquid assets	1,002	109
Net expense on financial instruments hedging assets in a qualifying hedge accounting relationship	1,956	(561)
Interest on net defined benefit pension asset	26	4
Other interest and similar expense	23	7
Total interest and similar income	**8,825**	**4,512**
Interest expense and similar charges:		
On UK retail member deposits	(1,915)	(456)
On subscribed capital	(11)	(13)
On deposits and other borrowings:		
Subordinated liabilities	(272)	(258)
Other	(1,070)	(99)
Debt securities in issue	(769)	(449)
Net income on financial instruments hedging liabilities	(290)	325
Total interest expense and similar charges	**(4,327)**	**(950)**
Net interest income	**4,498**	**3,562**

On investment securities

Interest and other income from investment securities comprises interest income earned on the corporate and government investment securities that we purchase for our own account to manage our liquidity portfolios and net realized gains and losses on our sales of these instruments.

Interest and other income from investment securities increased by 116.7% to £312 million for the year ended April 4, 2023, compared with £144 million for the year ended April 4, 2022.

Net expense on financial instruments hedging assets in a qualifying hedge accounting relationship

Derivative instruments are used to synthetically convert fixed rate assets to floating rate assets. If derivatives are subject to hedge accounting, the floating rate income and fixed rate expense on these derivatives are included as "net expense on financial instruments hedging assets in a qualifying hedge accounting relationship." In the year ended April 4, 2023, we generated a net income of £1,956 million on these instruments, compared with a net expense of £561 million in the year ended April 4, 2022.

Interest expense and similar charges

The average interest rate that we paid to UK retail member depositors increased to 1.04% for the year ended April 4, 2023, compared with 0.26% for the year ended April 4, 2022. There was also an increase of 3.27% in the average balance of UK retail member deposits held to £182,839 million in the year ended April 4, 2023, from £177,041 million in the year ended April 4, 2022. We continued growth in current accounts, increasing stock market share of current accounts to 10.4%.

On deposits and other borrowings

Interest expense on deposits and other borrowings includes interest that we pay on subordinated debt instruments and other deposits and borrowings. In the year ended April 4, 2023, interest on subordinated liabilities increased to £272 million from £258 million in the year ended April 4, 2022. Average balances decreased by £332 million to £7,395 million in the year ended April 4, 2023 from £7,727 million in the year ended April 4, 2022.

Other interest expense on deposits and other borrowings includes the interest that we pay on retail deposits by non-members, deposits from other banks and other money market deposits. In the year ended April 4, 2023, other interest expense on deposits and other borrowings increased by 980.8% to £1,070 million from £99 million in the year ended April 4, 2022. The increase was due to rising interest rates.

Debt securities in issue

Debt securities in issue include interest that we pay on certificates of deposit, time deposits, commercial paper, covered bonds, medium-term notes and securitizations. In the year ended April 4, 2023, interest expense on debt securities in issue increased by 71.3% to £769 million from £449 million in the year ended April 4, 2022. The increase was due to a number of factors, including higher rates on new issuances and increase in book size.

Net income on financial instruments hedging liabilities

We use derivative instruments to synthetically convert fixed rate liabilities to floating rate liabilities. The floating rate expense and fixed rate income on these derivatives are included as "Net income on financial instruments hedging liabilities." In the year ended April 4, 2023, net expense on financial instruments used to hedge our fixed rate liabilities was £290 million, compared with a net income of £325 million in the year ended April 4, 2022.

Net fees and commissions

The following table sets forth the components of net fees and commissions for the years ended April 4, 2023 and 2022 respectively:

	For the year ended April 4,					
	2023			2022		
	Income	Expense	Net	Income	Expense	Net
			(£ million)			
Current account and savings	288	(251)	37	308	(171)	137
General insurance	27	-	27	41	-	41
Protection and investments	44	-	44	58	-	58
Mortgage	21	(27)	(6)	24	(10)	14
Credit card	44	(25)	19	39	(31)	8
Other fees and commissions	8	(8)	-	5	(6)	(1)
Fee and commission	**432**	**(311)**	**121**	**475**	**(218)**	**257**

Income from net fees and commissions consists of income that we earn from lending, banking and savings fees and insurance sales commissions less lending fees and commission expense.

In the year ended April 4, 2023, net fees and commissions decreased by 52.9% to £121 million compared with £257 million in the year ended April 4, 2022.

Other operating income/(expense)

In the year ended April 4, 2023, other operating income increased by £6 million to a £54 million gain (April 4, 2022: £48 million gain). Other operating income/(expense) in the year ended April 4, 2023 includes write down of inventory, fair value movements on balances relating to previous investment disposals, the net amounts

of rental income, profits or losses on the sale of property, plant and equipment and increases or decreases in the valuations of branches and non-specialized buildings which are not recognized in other comprehensive income.

(Losses)/gains from derivatives and hedge accounting

All derivatives we enter into are recorded on the balance sheet at fair value with any fair value movements accounted for in the income statement. Derivatives, our use of which is regulated by the UK Building Societies Act, are only used to limit the extent to which we could be affected by changes in interest rates, exchange rates or other factors specified in building society legislation. These derivatives are therefore used exclusively to hedge risk exposures and are not used for speculative purposes.

Where effective hedge accounting relationships can be established, the movement in the fair value of the derivative instrument is offset in full or in part by opposite movements in the fair value of the underlying asset or liability being hedged. Any ineffectiveness arising from different movements in fair value will likely trend to nil over time.

In addition, we enter into certain derivative contracts which, although efficient economically, cannot be included in effective hedge accounting relationships. Consequently, although the implicit interest cost of the underlying instrument and associated derivatives are included in "Net interest income" in the income statement, fair value movements on such derivatives are included in "Gains from derivatives and hedge accounting."

Losses from derivatives and hedge accounting were £4 million in the year ended April 4, 2023 compared to losses of £7 million in the year ended April 4, 2022. Income statement volatility arises due to accounting ineffectiveness of designated hedges, or because hedge accounting has not been adopted or is not achievable.

Operating expenses and similar charges

Operating expenses and similar charges increased in the year ended April 4, 2023 to £2,440 million compared to £2,263 million in the year ended April 4, 2022. The following table sets forth the components of operating expenses and similar charges for the years ended April 4, 2023 and 2022, respectively:

	For the year ended April 4,	
	2023	**2022**
	(£ million)	
Administrative expenses	1,800	1,639
Depreciation and amortization	523	595
Total Administrative expenses	**2,323**	**2,234**
Impairment (reversals)/losses on loans and advances to customers	126	(27)
Provisions for liabilities and charges	(9)	56
Total	**2,440**	**2,263**

Administrative expenses

Administrative expenses have increased by £89 million to £2,323 million (April 4, 2022: £2,234 million). The costs in the year include £40 million cost of living support to colleagues and customers, and incremental investment in financial crime controls (£16 million) and technology resilience particularly of payment systems (£26 million), to ensure members' money is safe and always accessible. Redundancy costs have increased by £32 million as we create efficiencies within our support functions and other operating costs reduce by £21 million as there is not a repeat of historical fraud losses of £16 million seen in 2022. Depreciation is lower by £72 million largely due to a high one-off charge in 2022 for accelerated amortization (£53 million) relating to the shortening of the useful economic life of specific intangible assets.

The following table sets forth the components of administrative expenses for the years ended April 4, 2023 and 2022, respectively:

	For the year ended April 4,	
	2023	2022
	(£ million)	
Employee costs:		
Salaries, bonuses and social security costs	765	677
Pension costs	153	145
Other administrative expenses	862	801
Total	**1,780**	**1,623**

Employee costs are made up of salaries, bonuses social security costs (which consist entirely of mandatory UK national insurance contributions) and pension costs.

In the year ended April 4, 2023, salaries, bonuses and social security costs increased to £765 million from £677 million in the year ended April 4, 2022.

The Group operates two defined contribution pension schemes in the UK – the Nationwide Group Personal Pension Plan ("**GPP**") and the Nationwide Temporary Workers Pension Scheme. New employees are automatically enrolled into one of these schemes, with both schemes being administered by Aviva. Outside of the UK, there are defined contribution pension schemes for a small number of employees in the Isle of Man.

The Group also has funding obligations to several defined benefit pension schemes, which are administered by boards of trustees. Pension trustees are required by law to act in the interests of all relevant beneficiaries and are responsible for the investment policy of fund assets, as well as the day to day administration. The Group's largest pension scheme is the Nationwide Pension Fund (the "**Fund**"). This is a contributory defined benefit pension scheme, with both final salary and career average revalued earnings ("**CARE**") sections. The Fund was closed to new entrants in 2007 and since that date employees have been able to join the GPP. In line with UK pensions legislation, a formal actuarial valuation ("**Triennial Valuation**") of the assets and liabilities of the Fund is carried out at least every three years by independent actuaries.

The Fund was closed to future accrual on March 31, 2021. In line with UK pensions legislation, a formal actuarial valuation ("Triennial Valuation") of the assets and liabilities of the Fund is carried out at least every three years by independent actuaries.

In November 2020, Nationwide and the Trustee of the Fund entered into an arrangement whereby Nationwide has agreed to provide £1.7 billion of collateral (a contingent asset) in the form of self-issued Silverstone notes to provide additional security to the Fund. The Fund would have access to these notes in the case of certain events such as insolvency of Nationwide. This was subsequently increased by £0.1 billion in January 2022 and £0.2 billion in July 2022.

Other administrative costs increased by 7.6% to £862 million for the year ended April 4, 2023 from £801 million for the year ended April 4, 2022.

The cost income ratio has reduced on an underlying basis to 49.7% (April 4, 2022: 57.8%) as a result of items above.

Depreciation and amortization

For the year ended April 4, 2023 depreciation and amortization expenses decreased by 12.1% to £523 million from £595 million for the year ended April 4, 2022 due to the non-recurrence of 2022 charges relating to accelerated amortisation of specific intangible assets of £53 million.

Impairment losses on loans and advances to customers

We assess at each balance sheet date whether, as a result of one or more events that occurred after initial recognition, there is objective evidence that a financial asset or group of assets is impaired. Evidence of impairment may include indications that a borrower or group of borrowers is experiencing significant financial difficulty or default or delinquency in interest or principal payments.

Impairment charges on loans and advances to customers for the year ended April 4, 2023 were £126 million (April 4, 2022: release of £27 million).

This includes the impact of the deterioration in the economic outlook, which is reflected in the economic scenarios and associated weightings used to model expected credit losses. However, the underlying arrears performance of our residential mortgage portfolio has improved slightly, with consumer lending arrears marginally deteriorating. An increase in arrears from current levels is expected due to affordability pressures. The following table analyses the impairment losses on loans and advances to customers for the years ended April 4, 2023 and 2022, respectively:

	For the year ended April 4,	
	2023	**2022**
	(£ million)	
Residential lending	94	(128)
Consumer banking	31	93
Retail lending	**125**	**(35)**
Commercial and other lending	1	8
Impairment losses on loans and advances	**126**	**(27)**

The following table analyzes the impairment provisions on loans and advances to customers for the years ended April 4, 2023 and 2022, respectively:

Impairment provisions

	For the year ended April 4,	
	2023	**2022**
	(£ million)	
Residential lending	280	187
Consumer banking	469	529
Retail lending	**749**	**716**
Commercial and other lending	16	30
Total	**765**	**746**

Closing residential mortgage provisions have increased to £280 million (April 4, 2022: £187 million). The prior period impairment losses reflected an increase in provisions during a period of significant economic uncertainty.

Provisions for liabilities and charges

	For the year ended April 4,	
	2023	**2022**
	(£ million)	
FSCS	-	-
Customer redress provisions	(9)	56
Total	**(9)**	**56**

We hold provisions for customer redress to cover the costs of remediation and redress in relation to past sales of financial products and ongoing administration, including non-compliance with consumer credit legislation and other regulatory requirements. The customer redress release of £9 million (2022: £56 million charge) is due to updates to judgements and estimates used in determining provisions relating to historical quality control procedures.

Taxes

The tax charge for the year of £565 million (April 4, 2022: £345 million) represents an effective tax rate of 25.4% (April 4, 2022: 21.6%) which is higher than the statutory UK corporation tax rate of 19% (April 4, 2022: 19%). The effective tax rate is higher primarily due to the banking surcharge of £145 million (2022: £72 million). The effective tax rate in 2022 was also reduced by the impact of £23 million of non-recurring tax adjustments in respect of prior years.

	For the year ended April 4,	
	2023	**2022**
	(£ million)	
Current tax:		
UK corporation tax	565	368
Adjustments in respect of prior years	17	(19)
Total current tax	**582**	**349**
Deferred tax:		
Current year charge/(credit)	(4)	(1)
Adjustments in respect of prior years	(13)	(4)
Effect of deferred tax provided at different tax rates	-	1
Total deferred taxation	**(17)**	**(4)**
Statutory tax charge	**565**	**345**

Balance Sheet Review

Total assets shrank by 0.2% from £272.4 billion as of April 4, 2022 to £271.9 billion as of April 4, 2023, predominantly due to reduced holdings of cash and liquid assets.

Loans and advances to customers

Lending remains predominantly concentrated on high quality secured products, with residential mortgages accounting for 95.5% of our total loans and advances to customers at April 4, 2023 (April 4, 2022: 95.1%).

	As at April 4,			
	2023		**2022**	
	(£ million, except percentages)			
Prime residential mortgages	157,474	74.9%	154,354	74.4%
BTL and legacy residential mortgages	43,908	20.9%	43,579	21.0%
Total residential mortgages	**201,382**	95.8%	**197,933**	95.4%
Commercial and other lending	5,031	2.4%	5,475	2.6%
Consumer banking	3,939	1.8%	4,109	2.0%
Sub-total	**210,352**	**100%**	**207,517**	**100%**
Fair value adjustments for micro hedged risk	430		549	
Total	**210,782**		**208,066**	

Residential mortgage portfolio

Gross mortgage lending in the period decreased to £33.6 billion (April 4, 2022: £36.5 billion), representing a market share of 12.2% (April 4, 2022: 12.4%).

Total mortgage balances increased to £201.4 as at April 4, 2023 (April 4, 2022: £197.9 billion). Strong mortgage lending resulted in our BTL and legacy residential mortgage balances growing to £43.9 billion (April 4, 2022: £43.6 billion) and our prime mortgage balances increasing to £157.4 billion (April 4, 2022: £154.4 billion).

The average LTV of new lending in the year ended April 4, 2023, weighted by value was 69% (April 4, 2022: 70%). The average LTV of prime new business completed in the period remained broadly stable at 70% (April 4, 2022: 71%). In the BTL portfolio, the average LTV of new business has remained broadly stable at 66% (April 4, 2022: 67%). The proportion of new lending at 85% LTV and above has increased to 15% (April 4, 2022: 13%). However, the average LTV has remained broadly stable at 55% (April 4, 2022: 52%). The Nationwide House Price Index showed a 3.1% decrease year on year.

Arrears remain low and have decreased during the year, with cases more than three months in arrears at 0.32% (April 4, 2022: 0.34%) of the total portfolio. Arrears levels are expected to increase as a result of the rising cost of living including higher mortgage payments. Impairment provision balances have increased to £280 million (April 4, 2022: £187 million) primarily due to higher interest rate expectations.

New business by borrower type remains diversified. The proportion of prime new lending from remortgages has increased to 24% (April 4, 2022: 20%), reflecting a slower house purchase market alongside some remortgage activity likely to have been brought forward due to the expected future path of interest rates. Buy to let lending reduced as a proportion of all new business to 17% (April 4, 2022: 20%) as the volume of both house purchases and remortgages in the buy to let market reduced due to rising interest rates.

	As at April 4,	
	2023	**2022**
	(percentages)	
LTV distribution of residential mortgages:		
0% - 60%	28	27
60% - 75%	35	35
75% - 80%	9	11
80% - 85%	13	14
85% - 90%	12	11
90% - 95%	3	2
>95%	—	—
Total	**100**	**100**
Average loan to value of stock	55	52
Average loan to value of new business	69	70
New business profile:		
First-time buyers	29	29
Home movers	29	30
Remortgagers	24	20
BTL	17	20
Other	1	1
Total	**100**	**100**

The analysis of the new business profile and the average LTV for new business excludes further advances and product switches.

Total residential balance sheet provisions at April 4, 2023 were £280 million, compared with £187 million at April 4, 2022 due to deterioration in the economic assumptions used to model expected credit losses, including an increase in provisions for the impact of increasing interest rates on mortgage affordability.

	As at April 4,	
	2023	**2022**
Cases three months or more in arrears as (%) of total book of residential mortgages	*(percentages)*	
Prime	0.29	0.30
BTL and legacy	0.44	0.50
Total Group residential mortgages	**0.32**	**0.34**
UK Finance (UKF) industry average [(1)(2)]	**0.71**	**0.83**

Note:
(1) The methodology for calculating mortgage arrears is based on the UKF definition of arrears, where months in arrears is determined by dividing the arrears balance outstanding by the latest monthly contractual payment.
(2) The 2023 rate quoted is as at December 2022. The 2022 rate quoted is the December 2021 value. During the year, UKF restated the 2021 industry average arrears rate as a result of improved data reporting. The previously reported 2021 rate was 0.85%.

The proportion of cases more than three months in arrears has decreased during the year to 0.32% (2022: 0.34%). Arrears levels are expected to increase as a result of the rising cost of living but to remain low relative to the industry average. Our overall arrears percentage of 0.32% compares favorably with the UK Finance ("**UKF**") industry average of 0.71% (April 4, 2022: 0.77%) as reported by UKF.

The table below shows possessions as a percentage of our total residential mortgages as at April 4, 2023 and April 4, 2022:

	As at April 4,	
	2023	**2022**
Possessions as (%) of total residential mortgages (number of properties)	*(percentages)*	
Prime	0.01	0.00
BTL and legacy	0.04	0.03
Total Group residential mortgages	**0.02**	**0.01**

Our approach to dealing with customers in financial difficulties combined with our historically cautious approach to lending, means that we only take possession of properties as a last resort. This is illustrated by the number of properties taken into possession compared with the total for the industry. During the year ended April 4, 2023, the properties taken into possession increased to 246, representing 0.02% of our book compared to the industry average of 0.02%.

The table below provides further information on the residential mortgage portfolio by payment due status as at April 4, 2023 and April 4, 2022:

	As at April 4,							
	2023				**2022**			
	Prime	**BTL and legacy**	**Total**	**(%)**	**Prime**	**BTL and legacy**	**Total**	**(%)**
	(£ billion, except percentages)							
Not impaired:								
Not past due	155.9	43.3	199.2	98.8	152.9	43.0	195.9	98.9
Past due 0 to 1 month	1.0	0.4	1.4	0.7	0.9	0.3	1.2	0.6
Past due 1 to 3 months	0.3	0.2	0.5	0.2	0.3	0.1	0.4	0.2
Past due 3 to 6 months	0.2	0.1	0.3	0.1	0.1	0.1	0.2	0.1
Past due 6 to 12 months	0.1	0.1	0.2	0.1	0.1	0.1	0.2	0.1
Past due 12 months	0.1	0.0	0.1	0.1	0.1	0.1	0.2	0.1

Possession	0.0	0.0	0.0	—	0.0	0.0	—	—
Total	**157.6**	**44.1**	**201.7**	**100**	**154.4**	**43.7**	**198.1**	**100**

The balance of cases past due by more than three months has stayed broadly stable at £600 million (April 4, 2022: £596 million). There was an increase in possessions to £35 million (April 4, 2022: £19 million).

As at April 4, 2023, the mortgage portfolios include 1,329 (April 4, 2022: 1,924) mortgage accounts, including those in possession, where payments were more than 12 months in arrears. The total principal outstanding in these cases was £147 million (April 4, 2022: £215 million), and the total value of arrears was £26 million (April 4, 2022: £30 million).

Nationwide is committed to supporting borrowers facing financial difficulty by working with them to find a solution through proactive arrears management and forbearance. The Group applies the European Banking Authority ("**EBA**") definition of forbearance. Residential mortgages subject to forbearance at April 4, 2023 were £1,154 million compared to £1,299 million at April 4, 2022. Loans where more than one concession event has occurred are reported under the latest event.

Balances subject to forbearance 2023	**Prime**	**BTL and legacy**	**Total**
		(*£ million*)	
Past term interest only	101	149	250
Interest only concessions	503	25	528
Capitalization	85	22	107
Capitalization – notification of death of borrower	75	105	180
Term extensions (within term)	41	18	59
Permanent interest only conversions	1	29	30
Total forbearance	**806**	**348**	**1,154**
Impairment provision on forborne loans	**11**	**20**	**31**

Balances subject to forbearance 2022	**Prime**	**BTL and legacy**	**Total**
		(*£ million*)	
Past term interest only concessions	113	141	254
Interest only concessions	639	32	671
Capitalization	88	30	118
Capitalization – notification of death of borrower	81	93	174
Term extensions (within term)	32	16	48
Permanent interest only conversions	2	32	34
Total forbearance	**955**	**344**	**1,299**
Impairment provision on forborne loans	**12**	**18**	**30**

The balances outlined above apply to the prime residential mortgage portfolio. The table below shows outstanding loans as at April 4, in each of 2023 and 2022 that are subject to forbearance in alignment with European Banking Authority definitions.

	As at April 4,			
	2023		**2022**	
	(*£ million*)	(*%*)	(*£ million*)	(*%*)
Past term interest only concessions	250	21.7%	254	19.6%
Interest only concessions	528	45.8%	671	51.7%

Capitalization	287	24.9%	292	22.5%
Term extensions (within term)	59	5.1%	48	3.7%
Permanent interest only conversions	30	2.5%	34	2.5%
Total forbearance	**1,154**	**100%**	**1,299**	**100%**

The following table presents negative equity on residential mortgages:

	As at April 4,	
	2023	**2022**
	(£ million)	
Stage 1 and 2	10	8
Stage 3	3	2
Total	**13**	**10**

For commercial loans

Forbearance in the commercial portfolios is recorded and reported at borrower level and applies to all commercial lending including impaired exposures and customers subject to enforcement and recovery action. Impairment provisions on forborne loans are calculated on an individual borrower basis.

The table below provides details of the commercial loans which are subject to forbearance as at April 4, 2023 and 2022. Loans where more than one concession event has occurred are reported under the latest event.

	As at April 4,	
	2023	**2022**
	(*£ million*)	
Refinance	-	7
Modifications:		
Payment concession	79	125
Security amendment	-	2
Extension at maturity	16	37
Breach of covenant	21	14
Total	**116**	**185**
Impairment provision on forborne loans	**14**	**27**

Consistent with the European Banking Authority reporting definitions, loans that meet the forbearance exit criteria are not reported as forborne.

Total forborne balances (excluding FVTPL) have reduced to £116 million (April 4, 2022: £185 million), comprising CRE of £50 million (April 4, 2022: £116 million) and project finance of £66 million (April 4, 2022: £69 million). In addition, there are £36 million (April 4, 2022: £36 million) of FVTPL commercial lending balances which are forborne that relate to a single exposure. The net impairment charge for the year of £126 million (April 4, 2022: release of £27 million) includes the impact of the deterioration in the economic outlook, which is reflected in the economic scenarios and associated weightings used to model expected credit losses. However, the underlying arrears performance of our residential mortgage portfolio has improved slightly, with consumer lending arrears marginally deteriorating. An increase in arrears from current levels is expected due to affordability pressures.

The table below provides details of the consumer banking exposures which are subject to forbearance as at April 4, 2023 and April 4, 2022. Where more than one concession event has occurred, exposures are reported under the latest event.

	Overdrawn current accounts	Personal loans	Credit cards	Total
2023		(*£ million*)		
Payment concession	4	—	1	5
Interest suppressed payment concession	28	33	9	70
Balances re-aged/re-written	-	2	2	4
Total forbearance	**32**	**35**	**12**	**79**
Impairment provision on forborne loans	**12**	**28**	**8**	**48**
2022				
Payment concession	4	—	1	5
Interest suppressed payment arrangement	4	36	11	51
Balances re-aged/re-written	-	2	2	4
Total forbearance	**8**	**38**	**14**	**60**
Impairment provision on forborne loans	**6**	**28**	**9**	**43**

Commercial loan portfolio

The commercial portfolio comprises loans which have been provided to meet the funding requirements of registered social landlords, commercial real estate investors and project finance initiatives. The commercial real estate and project finance portfolios are closed to new business.

Nationwide continues to support commercial borrowers where income has been disrupted through the impacts of Covid-19. Credit quality has been stable, although portfolio performance has benefited from the impact of government support schemes, payment deferrals and the low interest rate environment.

Commercial balances

	As at April 4,	
	2023	**2022**
	(£ million)	
Registered social landlords[(1)]	4,131	4,329
Commercial real estate (CRE)	326	513
Project finance[(2)]	537	611
Commercial balances at amortized cost	**4,994**	**5,453**
Fair value adjustment for micro hedged risk[(3)]	430	549
Commercial lending balances - FVTPL	53	52
Total	**5,477**	**6,054**

Notes:

(1) Loans to registered landlords are secured on residential property.

(2) Loans advanced in relation to project finance are secured on cash flows from government or local authority backed contracts under the Private Finance Initiative.

(3) Micro hedged risk relates to loans hedged on an individual basis.

(4) FVTPL includes CRE balances of £51 million (2022: £50 million) and registered social landlord balances of £2 million (2022: £2 million).

During the year, commercial balances have decreased to £5 billion (April 4, 2022: £6 billion). The reduction has been most significant in the registered social landlords portfolio where loan amortization and repayments exceeded drawdowns on new lending to this sector. The reduction in commercial real estate balances is driven by repayment of loans and exit of defaulted exposures.

Impairment charge/(release) for the year for commercial

	For the year ended April 4,	
	2023	**2022**
	(£ million)	*(£ million)*
Total	**1**	**8**

Note:

(1) Impairment losses represent the total amount charged through the profit and loss account, rather than amounts written off during the year.

The following table shows commercial balances carried at amortized cost on the balance sheet, with the stage allocation of the exposures, impairment provisions and resulting provision coverage ratio:

Commercial product and staging analysis

	For the year ended April 4,							
	2023				2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	(£ million)							
Gross balances								
Registered social landlords	4,061	70	-	4,131	4,292	37	-	4,329
CRE	274	19	33	326	393	65	55	513
Project finance	459	78	-	537	552	54	5	611
Total	**4,794**	**167**	**33**	**4,994**	**5,237**	**156**	**60**	**5,453**
Provisions								
Registered social landlords	1	-	-	1	1	-	-	1
CRE	1	-	6	7	-	1	13	14
Project finance	-	8	-	8	-	13	2	15
Total	**2**	**8**	**6**	**16**	**1**	**14**	**15**	**30**
Provisions as a (%) of total balance				*(percentages)*				
Registered social landlords	0.01	0.26	-	0.02	0.01	0.16	-	0.01
CRE	0.19	1.31	18.94	2.13	0.15	1.22	23.41	2.80
Project finance	0.02	10.65	-	1.57	0.02	23.40	46.69	2.46
Total	**0.02**	**5.26**	**18.94**	**0.32**	**0.02**	**8.62**	**25.35**	**0.55**

Over the year, the performance of the commercial portfolio has remained stable, with 96% (2022: 96%) of balances in stage 1. Of the £167 million (2022: £156 million) stage 2 loans, which represent 3.3% (2022: 2.9%) of total balances, £nil (2022: £7 million) were in arrears by 30 days or more.

Loans in the project finance portfolio benefit from long-term cash flows, which typically emanate from the provision of assets such as schools, hospitals, police stations, government buildings and roads, procured under the Private Finance Initiative (PFI). The stage 2 balance reflects a small number of borrowers in the operational phase of the PFI contract, which are affected by asset-related issues.

Repayment of loans has resulted in the reduction in stage 2 CRE loan balances. Write-offs and a reduction in asset values for remaining impaired loans has resulted in an overall decrease to CRE stage 3 provisions to £6 million (2022: £13 million).

Credit quality

Our goal is to adopt robust credit management policies and processes to recognize and manage the risks arising from the portfolio,

The following table shows the CRE portfolio by risk grade and the provision coverage for each category. The table includes balances held at amortized cost only.

CRE gross balances by risk grade and provision coverage

	For the year ended April 4,									
	2023					2022				
	Stage 1	Stage 2	Stage 3	Total	Provision Coverage	Stage 1	Stage 2	Stage 3	Total	Provision Coverage
		(£ million)			*(percentages)*		*(£ million)*			*(percentages)*
Strong	171	-	—	171	0.0	258	5	—	263	0.0
Good	97	1	—	98	0.3	107	18	—	125	0.2
Satisfactory	6	2	—	8	2.8	26	16	—	42	0.8
Weak	-	16	1	17	1.5	2	26	1	29	2.6
Impaired	-	-	32	32	19.1	—	—	54	54	23.7
Total	**274**	**19**	**33**	**326**	**2.1**	**393**	**65**	**55**	**513**	**2.8**

The risk grades in the table above are based upon the IRB supervisory slotting approach for specialized lending exposures. Exposures are classified into categories depending on the underlying credit risk, with the assessment based upon financial strength, asset characteristics, strength of sponsor and the security. The credit quality of the CRE portfolio has remained stable with 85% (April 4, 2022: 84%) of the portfolio balances rated as strong, good, or satisfactory.

Risk grades for the project finance portfolio use the same slotting approach for specialized lending, with 85% (April 4, 2022: 90%) of the exposure rated strong or good as of April 4, 2023.

The registered social landlord portfolio is risk rated using an internal PD rating model with the major drivers being financial strength, evaluations of the borrower's oversight and management, and their type and size. The distribution of exposures is weighted towards the stronger risk ratings and against a backdrop of zero defaults in the portfolio, the credit quality remains high, with an average 12-month PD as of April 4, 2023 of 0.04% (April 4, 2022: 0.03%) across the portfolio.

In addition to the above, £53 million (April 4, 2022: £52 million) of commercial lending balances are classified as FVTPL; CRE £51 million (April 4, 2022: £50 million), registered social landlord £2 million (April 4, 2022: £2 million), in each case, as of April 4, 2023.

Credit risk concentration by industry sector

Credit risk exposure continues to be spread across the retail, office, residential investment, industrial and leisure sectors. Where a CRE loan is secured on assets crossing different sectors, the sector allocation is based upon the value of the underlying assets in each sector. For CRE exposures, excluding FVTPL balances, the largest

exposure is to the residential sector, which represents 39% (2022: 40%) of total CRE balances, with a weighted average LTV of 35% (2022: 34%). Exposure to office assets has reduced to 21% (2022: 23%) of total CRE balances, with a weighted average LTV of 64% (2022: 58%).The LTV distribution of CRE balances has remained stable with 91% (2022: 91%) of the portfolio having an LTV of 75% or less, and 47% (2022: 61%) of the portfolio having an LTV of 50% or less. CRE balances with arrears have reduced to £18 million (2022: £44 million). Of these, £10 million (2022: £24 million) have arrears greater than 3 months and relate to loans that are in recovery or are being actively managed.

Gross balances subject to forbearance(1)

	As at April 4,	
	2023	**2022**
	(£ million)	
Refinance	-	7
Modifications:		
Payment concession	79	125
Security amendment	-	2
Extension at maturity	16	37
Breach of covenant	21	14
Total	**116**	**185**
Total impairment provision on forborne loans	**14**	**27**

Note:
(1) Loans where more than one concession event has occurred are reported under the latest event.

Possession balances represent loans against which we have taken ownership of properties pending their sale. Assets over which possession has been taken are realized in an orderly manner via open market or auction sales to derive the maximum benefit for all interested parties, and any surplus proceeds are distributed in accordance with the relevant insolvency regulations. We do not normally occupy repossessed properties for our business use or use assets obtained in our operations.

Although collateral can be an important mitigant of credit risk, it is our practice to lend on the basis of the customer's ability to meet their obligations out of cash flow resources rather than rely on the value of the security offered. In the event of default, we may use the collateral as a source of repayment.

Primary collateral is a fixed charge over freehold or long leasehold properties, but may be supported by other liens, floating charges over company assets and, occasionally, unsupported guarantees. The collateral will have a significant effect in mitigating our exposure to credit risk.

Our valuation policy stipulates the maximum period between formal valuations, relative to the risk profile of the lending. Particular attention is paid to the status of the facilities, for instance whether it is, or is likely to require an impairment review where our assessment of potential loss would benefit from updated valuations, or there are factors affecting the property that might alter the case assessment and the most appropriate action to take.

Collateral held in relation to secured loans that are either past due or impaired is capped at the amount outstanding on an individual loan basis.

Consumer banking

Credit risk in the consumer banking portfolios is primarily monitored and reported based on arrears status which is set out below:

Consumer banking gross balances by payment due status

(*Audited*)	As at April 4, 2023 Overdrawn current accounts	Personal loans	Credit cards	Total		As at April 4, 2022 Overdrawn current account	Personal loans	Credit cards	Total	
		(£ million)			(%)		*(£ million)*			(%)
Not past due	265	2,386	1,423	4,074	92.4	240	2,681	1,377	4,298	92.7
Past due 0 to 1 month	8	49	14	71	1.6	11	35	14	60	1.3
Past due 1 to 3 months	4	15	8	27	0.6	4	11	8	23	0.5
Past due 3 to 6 months	5	11	6	22	0.5	4	16	6	26	0.6
Past due 6 to 12 months	4	11	1	16	0.4	3	8	1	12	0.2
Past due over 12 months	2	11	—	13	0.3	3	9	—	12	0.2
Charged off [1]	22	91	72	185	4.2	21	104	82	207	4.5
Total	**310**	**2,574**	**1,524**	**4,408**	**100**	**286**	**2,864**	**1,488**	**4,638**	**100**

Note:

(1) Charged off balances related to accounts which are closed to future transactions and are held on the balance sheet for an extended period (up to 36 months, depending on the product) while recovery procedures take place.

Consumer banking balances have decreased to £4.4 billion (2022: £4.6 billion). Consumer banking comprises personal loan balances of £2.6 billion (2022: £2.9 billion), credit card balances of £1.5 billion (2022: £1.5 billion) and overdrawn current account balances of £0.3 billion (2022: £0.3 billion).

Consumer banking gross balances

(*Audited*)	As at April 4, 2023 *(£ million)*	(%)	2022 *(£ million)*	(%)
Overdrawn current accounts	310	7	286	6
Personal loans	2,574	58	2,864	62
Credit cards	1,524	35	1,488	32
Total consumer banking	**4,408**	**100**	**4,638**	**100**

Following the transition to IFRS 9, all consumer banking loans continue to be classified and measured at amortized cost.

Impairment charge for the year

(*Audited*)	2023 *(£ million)*	2022 *(£ million)*
Overdrawn current accounts	9	23
Personal loans	28	4
Credit cards	(6)	66
Total	**31**	**93**

Note: Impairment losses represent the net amount charged through the profit and loss account rather than amounts written off during the year.

The following table shows consumer banking balances by stage, with the corresponding impairment provisions and resulting provision coverage ratios:

Consumer banking product and staging analysis

	As at April 4, 2023 Stage 1	Stage 2	Stage 3	Total	2022 Stage 1	Stage 2	Stage 3	Total
(Audited)								
Gross balances								

Overdrawn current accounts	160	91	59	310	121	131	34	286
Personal loans	1,378	1,063	133	2,574	1,735	989	140	2,864
Credit cards	845	591	88	1,524	790	600	98	1,488
Total	**2,383**	**1,745**	**280**	**4,408**	**2,646**	**1,720**	**272**	**4,638**
Provisions								
Overdrawn current accounts	5	21	38	64	4	36	31	71
Personal loans	9	54	117	180	11	60	124	195
Credit cards	11	136	78	225	10	165	88	263
Total	**25**	**211**	**233**	**469**	**25**	**261**	**243**	**529**
Provisions as a (%) of total balance				*percentages*				
Overdrawn current accounts	3.10	22.90	64.80	20.57	3.34	27.33	90.86	24.63
Personal loans	0.67	5.09	87.66	7.00	0.62	6.09	88.50	6.80
Credit cards	1.25	22.96	88.85	14.73	1.33	27.51	89.78	17.69
Total	**1.04**	**12.07**	**83.25**	**10.63**	**0.95**	**15.18**	**89.25**	**11.40**

At April 4, 2023, 54% (April 4, 2022: 57%) of the consumer banking portfolio is in stage 1. Credit performance continues to be strong, with the proportion of total balances in stage 3 increasing slightly to 6.4% (2022: 5.9%). £25 million of overdrawn current account balances are included in stage 3 due to these borrowers being granted a six-month 0% interest concession to support them with increased costs of living. Consumer banking stage 3 gross balances and provisions include charged off balances. These are accounts which are closed to future transactions and are held on the balance sheet for an extended period (up to 36 months) whilst recovery activities take place. Excluding these charged off balances and related provisions, provisions amount to 6.9% (2022: 7.6%) of gross balances.

During the year, provisions have reduced to £469 million (2022: £529 million). This includes a modelled adjustment to provisions totalling £100 million (2022: £146 million), which reflects a higher risk of non-repayment in a high inflation and interest rate environment. As per the prior year, this adjustment has been applied by uplifting the probability of default ("**PD**") on borrowers who are most likely to be impacted by affordability pressures and has resulted in £585m (2022: £700m) of balances being moved to stage 2.

Results of Operations for the Year Ended April 4, 2022 Compared with the Year Ended April 4, 2021

Introduction

The decisions we made early in the pandemic, alongside better-than-expected macroeconomic and trading performance in the past year, have contributed to the strength of Nationwide's financial results in 2022.

Underlying profit before tax for the year ended April 4, 2022 was £1,604 million (April 4, 2021: £790 million), with statutory profit before tax for the half year increasing to £1,597 million (April 4, 2021: £823 million). This profitability has supported us in maintaining a capital position materially above regulatory requirements, with our CET1 and leverage ratios at 24.1% and 5.4%, respectively (April 4, 2021: 36.4% and 5.4%, respectively).

Our net interest margin ("**NIM**") has improved to 1.26% (April 4, 2021: 1.21%) largely due to mortgage margins improving. Mortgage income was higher as a result of stronger new business margins across the market during 2020 and robust lending in the year. Income was further supported by the better-than-expected macroeconomic performance over the past year.

Over 2022 and 2021, we have recognized an elevated credit impairment charge compared to pre-pandemic levels, reflecting the period of macroeconomic uncertainty. Arrears performance on lending has improved during 2022; resulting in net credit impairment releases of £27 million for the year (April 4, 2021: loss of £190 million). Administrative expenses increased by £16 million to £2,234 million (April 4, 2021: £2,218 million). The increase is driven by accelerated amortization of £53 million relating to the shortening of the useful economic life of intangible assets and £16 million relating to historic fraud cases.

We have seen significant net deposit growth of £7.7 billion during the year ended April 4, 2022 (April 4, 2021: £10.6 billion), due to suppressed spending during the first half of the year as pandemic restrictions remained in place, and through competitive savings product propositions. Our market share of all deposit balances remained stable at 9.4% (April 4, 2021: 9.4%). Our total residential mortgage lending grew to £36.5 billion (April 4, 2021: £29.6 billion). Our market share of mortgage balances was 12.4% (April 4, 2021: 12.5%).

We maintained a strong liquidity position, with an average Liquidity Coverage Ratio (LCR) of 183% for the 12 months ended April 4, 2022 (April 4, 2021: 159%). We managed our liquidity against internal risk appetite which was more prudent than regulatory requirements.

Profit before tax on a reported basis and underlying basis are set out below. Certain aspects of our results are presented to reflect management's view of the underlying results and to provide a clearer representation of our performance.

	For the year ended April 4, 2022			
	Underlying profit	**FSCS and bank levy**	**Gain from derivatives and hedge accounting**	**Statutory profit**
	(£ million)			
Net interest income	3,562			3,562
Other income	305			305
Movements on derivatives and hedge accounting[(1)]			(7)	(7)
Total income	**3,867**	**—**	**(7)**	**3,860**
Administrative expenses	(2,234)	—	—	(2,234)
Pre-provision underlying profit	**1,633**	**—**	**(7)**	**1,626**
Impairment release	27	—	—	27
Provisions for liabilities and charges	(56)	—	—	(56)
Profit before tax[(2)]	**1,604**	**—**	**(7)**	**1,597**

Notes:

(1) Although derivatives are only used to hedge market risks, income statement volatility can still arise due to hedge accounting ineffectiveness or because hedge accounting volatility is largely attributable accounting rules which do not fully reflect the economic reality of the hedging strategy.

(2) Underlying profit represents management's view of underlying performance. The following items are excluded from statutory profit to arrive at underlying profit:

- Although we only use derivatives to manage risks, their impact can be volatile. This volatility is largely due to accounting rules that do not fully reflect the economic reality of our approach to hedging financial risks.
- FSCS credits, which are excluded from statutory profit, are from FSCS recoveries related to failures provided for in previous years. Ongoing FSCS management expenses are included within underlying profit.

	For the year ended April 4, 2021			
	Underlying profit	**FSCS and bank levy**	**Gain from derivatives and hedge accounting**	**Statutory profit**
	(£ million)			
Net interest income	3,146	—	0	3,146
Other income	139	—	—	139
Movements on derivatives and hedge accounting	—	—	34	34
Total income	**3,285**	—	**34**	**3,319**
Administrative expenses	(2,218)	—	—	(2,218)

Pre-provision underlying profit	**1,067**	—	**34**	**1,101**
Impairment losses	(190)	—	—	(190)
Provisions for liabilities and charges	(87)	(1)	—	(88)
Profit before tax	**790**	**(1)**	**34**	**823**

The following discussion considers our results for the year ended April 4, 2022 compared to our results for the year ended April 4, 2021:

Total income

Our total income increased to £3,860 million in the year ended April 4, 2022 compared to £3,319 million in the year ended April 4, 2021. The following table sets forth the components of income for the years ended April 4, 2022 and 2021, respectively:

	For the year ended April 4,	
	2022	**2021**
	(£ million)	
Net interest income	3,562	3,146
Net fees and commissions	257	148
Other operating income	48	(9)
(Losses) /gains from derivatives and hedge accounting	(7)	34
Total	**3,860**	**3,319**

Net interest income

NII increased by 13.2% to £3,562 million for the year ended April 4, 2022 compared with £3,146 million for the year ended April 4, 2021. This was primarily driven by the macroeconomic uncertainty during much of 2020, leading to elevated mortgage new business margins, and robust lending during 2021/22. Income was further supported by the better-than-expected macroeconomic performance over the past year including stronger HPI growth and mortgage volumes.

The following table sets forth the components of net interest income for the years ended April 4, 2022 and 2021, respectively:

	For the year ended April 4,	
	2022	**2021**
	(£ million)	
Interest and similar income:		
On residential mortgages	4,278	4,246
On other loans	531	557
On investment securities	10	16
On investment securities measured at FVOCI	134	137
On other liquid assets	109	35
Net expense on financial instruments hedging assets in a qualifying hedge accounting relationship	(561)	(869)
Interest on net defined benefit pension asset	4	7
Other interest and similar expense	7	(5)
Total interest and similar income	**4,512**	**4,124**
Interest expense and similar charges:		
On UK retail member deposits	(456)	(527)
On subscribed capital	(13)	(14)
On deposits and other borrowings:		
Subordinated liabilities	(258)	(281)

Other	(99)	(56)
Debt securities in issue	(449)	(539)
Net income on financial instruments hedging liabilities	325	439
Total interest expense and similar charges	**(950)**	**(978)**
Net interest income	**3,562**	**3,146**

On investment securities

Interest and other income from investment securities comprises interest income earned on the corporate and government investment securities that we purchase for our own account to manage our liquidity portfolios and net realized gains and losses on our sales of these instruments.

Interest and other income from investment securities decreased by 5.9% to £144 million for the year ended April 4, 2022, compared with £153 million for the year ended April 4, 2021.

Net expense on financial instruments hedging assets in a qualifying hedge accounting relationship

Derivative instruments are used to synthetically convert fixed rate assets to floating rate assets. If derivatives are subject to hedge accounting, the floating rate income and fixed rate expense on these derivatives are included as "net expense on financial instruments hedging assets in a qualifying hedge accounting relationship." In the year ended April 4, 2022, we incurred a net expense of £561 million on these instruments, compared with a net expense of £869 million in the year ended April 4, 2021.

Interest expense and similar charges

The average interest rate that we paid to UK retail member depositors decreased to 0.26% for the year ended April 4, 2022 compared with 0.3% for the year ended April 4, 2021. There was also an increase of 8.5% in the average balance of UK retail member deposits held to £177,041 million in the year ended April 4, 2022 from £163,201 million in the year ended April 4, 2021. We maintained our market share of current accounts at 10% after reaching our target last year.

On deposits and other borrowings

Interest expense on deposits and other borrowings includes interest that we pay on subordinated debt instruments and other deposits and borrowings. In the year ended April 4, 2022, interest on subordinated liabilities decreased to £258 million from £281 million in the year ended April 4, 2021. Average balances decreased by £604 million to £7,727 million in the year ended April 4, 2022 from £8,331 million in the year ended April 4, 2021.

Other interest expense on deposits and other borrowings includes the interest that we pay on retail deposits by non-members, deposits from other banks and other money market deposits. In the year ended April 4, 2022, other interest expense on deposits and other borrowings increased by 76.8% to £99 million from £56 million in the year ended April 4, 2021. The increase was due to rising interest rates and increased balance.

Debt securities in issue

Debt securities in issue include interest that we pay on certificates of deposit, time deposits, commercial paper, covered bonds, medium-term notes and securitizations. In the year ended April 4, 2022, interest expense on debt securities in issue decreased by 16.7% to £449 million from £539 million in the year ended April 4, 2021. The decrease was due to a number of factors, including lower rates on new issuances and reduction in book size.

Net income on financial instruments hedging liabilities

We use derivative instruments to synthetically convert fixed rate liabilities to floating rate liabilities. The floating rate expense and fixed rate income on these derivatives are included as "Net income on financial instruments hedging liabilities." In the year ended April 4, 2022, net income on financial instruments used to

hedge our fixed rate liabilities was £325 million, compared with a net income of £439 million in the year ended April 4, 2021.

Net fees and commissions

The following table sets forth the components of net fees and commissions for the years ended April 4, 2022 and 2021 respectively:

	For the year ended April 4,					
	2022			2021		
	Income	Expense	Net	Income	Expense	Net
			(£ million)			
Current account and savings	308	(171)	137	228	(183)	45
General insurance	41	-	41	46	—	46
Protection and investments	58	-	58	52	—	52
Mortgage	24	(10)	14	18	(8)	10
Credit card	39	(31)	8	30	(34)	(4)
Other fees and commissions	5	(6)	(1)	5	(6)	(1)
Fee and commission	**475**	**(218)**	**257**	**379**	**(231)**	**148**

Income from net fees and commissions consists of income that we earn from lending, banking and savings fees and insurance sales commissions less lending fees and commission expense.

In the year ended April 4, 2022, net fees and commissions increased by 73.6% to £257 million compared with £148 million in the year ended April 4, 2021.

Other operating income/(expense)

In the year ended April 4, 2022, other operating income increased by £57 million to a £48 million gain (April 4, 2021: £9 million loss). Other operating income/(expense) in the year ended April 4, 2022 includes write down of inventory, fair value movements on balances relating to previous investment disposals, the net amounts of rental income, profits or losses on the sale of property, plant and equipment and increases or decreases in the valuations of branches and non-specialized buildings which are not recognized in other comprehensive income.

(Losses)/gains from derivatives and hedge accounting

All derivatives we enter into are recorded on the balance sheet at fair value with any fair value movements accounted for in the income statement. Derivatives, our use of which is regulated by the UK Building Societies Act, are only used to limit the extent to which we could be affected by changes in interest rates, exchange rates or other factors specified in building society legislation. These derivatives are therefore used exclusively to hedge risk exposures and are not used for speculative purposes.

Where effective hedge accounting relationships can be established, the movement in the fair value of the derivative instrument is offset in full or in part by opposite movements in the fair value of the underlying asset or liability being hedged. Any ineffectiveness arising from different movements in fair value will likely trend to nil over time.

In addition, we enter into certain derivative contracts which, although efficient economically, cannot be included in effective hedge accounting relationships. Consequently, although the implicit interest cost of the underlying instrument and associated derivatives are included in "Net interest income" in the income statement, fair value movements on such derivatives are included in "Gains from derivatives and hedge accounting."

Losses from derivatives and hedge accounting were £7 million in the year ended April 4, 2022 compared to gains of £34 million in the year ended April 4, 2021. Income statement volatility arises due to accounting ineffectiveness of designated hedges, or because hedge accounting has not been adopted or is not achievable.

Losses from fair value hedge accounting include losses of £5 million (2021: gains of £50 million) from macro hedges, due to hedge ineffectiveness and the amortization of existing balance sheet amounts, and losses of £16 million (2021: £50 million) relating to micro hedges which arise due to a combination of hedge ineffectiveness, disposals and restructuring, and the amortization of existing balance sheet amounts. Fair value gains from other derivatives include gains of £33 million (2021: £2 million) from derivatives that are economically hedging investment securities but where hedge accounting is not possible, and losses of £15 million (2021: gains of £49 million) caused by a widening of bid-offer spreads.

Operating expenses and similar charges

Operating expenses and similar charges decreased in the year ended April 4, 2022 to £2,263 million compared to £2,496 million in the year ended April 4, 2021. The following table sets forth the components of operating expenses and similar charges for the years ended April 4, 2022 and 2021, respectively:

	For the year ended April 4,	
	2022	**2021**
	(£ million)	
Administrative expenses	1,639	1,621
Depreciation and amortization	595	597
Total Administrative expenses	**2,234**	**2,218**
Impairment (reversals)/losses on loans and advances to customers	(27)	190
Provisions for liabilities and charges	56	88
Total	**2,263**	**2,496**

Administrative expenses

Administrative expenses have increased by £16 million to £2,234 million (April 4, 2021: £2,218 million). The increase is driven by accelerated amortization of £53 million relating to the shortening of the useful economic life of specific intangible assets and £16 million relating to historical fraud cases. Excluding these items, costs have reduced by £53 million, which is attributable to a £55 million reduction in restructuring costs together with a £33 million decrease in business-as-usual costs, despite growth of our business. These have been offset in part by a £35 million increase in investment spend and depreciation.

The following table sets forth the components of administrative expenses for the years ended April 4, 2022 and 2021, respectively:

	For the year ended April 4,	
	2022	**2021**
	(£ million)	
Employee costs:		
Salaries, bonuses and social security costs	677	672
Pension costs	145	180
Other administrative expenses	801	742
Total	**1,623**	**1,594**

Employee costs are made up of salaries, bonuses social security costs (which consist entirely of mandatory UK national insurance contributions) and pension costs.

In the year ended April 4, 2022, salaries, bonuses and social security costs increased slightly to £677 million from £672 million in the year ended April 4, 2021.

The Group operates two defined contribution pension schemes in the UK – the Nationwide Group Personal Pension Plan ("**GPP**") and the Nationwide Temporary Workers Pension Scheme. New employees are

automatically enrolled into one of these schemes, with both schemes being administered by Aviva. Outside of the UK, there are defined contribution pension schemes for a small number of employees in the Isle of Man.

The Group also has funding obligations to several defined benefit pension schemes, which are administered by boards of trustees. Pension trustees are required by law to act in the interests of all relevant beneficiaries and are responsible for the investment policy of fund assets, as well as the day to day administration. The Group's largest pension scheme is the Nationwide Pension Fund (the "**Fund**"). This is a contributory defined benefit pension scheme, with both final salary and career average revalued earnings ("**CARE**") sections. The Fund was closed to new entrants in 2007 and since that date employees have been able to join the GPP. In line with UK pensions legislation, a formal actuarial valuation ("**Triennial Valuation**") of the assets and liabilities of the Fund is carried out at least every three years by independent actuaries.

The Fund was closed to future accrual on March 31, 2021. In line with UK pensions legislation, a formal actuarial valuation ("Triennial Valuation") of the assets and liabilities of the Fund is carried out at least every three years by independent actuaries.

In November 2020, Nationwide and the Trustee of the Fund entered into an arrangement whereby Nationwide has agreed to provide £1.7 billion of collateral (a contingent asset) in the form of self-issued Silverstone notes to provide additional security to the Fund. The Fund would have access to these notes in the case of certain events such as insolvency of Nationwide.

Other administrative costs increased by 8.0% to £801 million for the year ended April 4, 2022 from £742 million for the year ended April 4, 2021. In the year ended April 4, 2022 there has been a £39 million increase in IT and communications costs, £20 million increase in legal, professional and consultancy costs and £45 million increase in other operating costs which includes fraud-related losses. These are offset by decreases in other staff-related costs (£22 million) and property costs (£19 million).

The cost income ratio has improved on an underlying basis to 57.8% (April 4, 2021: 67.5%) as a result of items above.

Depreciation and amortization

For the year ended April 4, 2022 depreciation and amortization expenses decreased slightly by 0.3% to £595 million from £597 million for the year ended April 4, 2021.

Impairment losses on loans and advances to customers

We assess at each balance sheet date whether, as a result of one or more events that occurred after initial recognition, there is objective evidence that a financial asset or group of assets is impaired. Evidence of impairment may include indications that a borrower or group of borrowers is experiencing significant financial difficulty or default or delinquency in interest or principal payments.

Impairment releases on loans and advances to customers for the year ended April 4, 2022 were £27 million (April 4, 2021: impairment losses of £190 million).

Impairment releases for the year include the impact of updating macroeconomic assumptions and scenario weightings to reflect the improvement in economic outlook since April 4, 2021.

The following table analyses the impairment losses on loans and advances to customers for the years ended April 4, 2022 and 2021, respectively:

	For the year ended April 4,	
	2022	**2021**
	(£ million)	
Residential lending	(128)	71
Consumer banking	93	125

	For the year ended April 4,	
	2022	2021
	(£ million)	
Retail lending	**(35)**	**196**
Commercial and other lending	8	(6)
Impairment losses on loans and advances	**(27)**	**190**

The following table analyzes the impairment provisions on loans and advances to customers for the years ended April 4, 2022 and 2021, respectively:

Impairment provisions

	For the year ended April 4,	
	2022	2021
	(£ million)	
Residential lending	187	317
Consumer banking	529	502
Retail lending	**716**	**819**
Commercial and other lending	30	33
Total	**746**	**852**

Closing residential mortgage provisions have reduced to £187 million (April 4, 2021: £317 million). The prior period impairment losses reflected an increase in provisions during a period of significant economic uncertainty.

Provisions for liabilities and charges

	For the year ended April 4,	
	2022	2021
	(£ million)	
FSCS	-	1
Customer redress provisions	56	87
Total	**56**	**88**

The underlying income statement charge for provisions for liabilities and charges for the year ended April 4, 2022 decreased by 36.4% to £56 million (April 4, 2021: £88 million).

We hold provisions for customer redress to cover the costs of remediation and redress in relation to past sales of financial products and ongoing administration, including non-compliance with consumer credit legislation and other regulatory requirements. The customer redress charge of £56 million (2021: £87 million charge) is primarily as a result of a £33 million charge relating to historical quality control procedures. The remainder of the charge relates to remediation costs for other redress issues, including remediation in relation to the past administration of customer accounts.

Taxes

The tax charge for the year of £345 million (April 4, 2021: £205 million) represents an effective tax rate of 21.6% (April 4, 2021: 24.9%) which is higher than the statutory UK corporation tax rate of 19% (April 4, 2021: 19%). The effective tax rate is higher due to the 8% banking surcharge of £72 million (2021: £38 million) and the tax effect of disallowable bank levy and customer redress costs of £3 million and £4 million (2021: £5 million and £8 million) respectively. This has been partly offset by adjustments in respect of prior years, credit of £23 million (2021: charge of £10 million), the tax credit on the distribution to the holders of Additional Tier 1 capital

instruments of £15 million (2021: £12 million) and the tax impact of deferred tax provided at different rates of £1 million (2021: £5 million credit).

	For the year ended April 4,	
	2022	2021
	(£ million)	
Current tax:		
UK corporation tax	368	226
Adjustments in respect of prior years	(19)	(6)
Total current tax	**349**	**220**
Deferred tax:		
Current year charge/(credit)	(1)	(26)
Adjustments in respect of prior years	(4)	16
Effect of deferred tax provided at different tax rates	1	(5)
Total deferred taxation	**(4)**	**(15)**
Statutory tax charge	**345**	**205**

Balance Sheet Review

Total assets grew by 6.9% from £254.9 billion as of April 4, 2021 to £272.4 billion as of April 4, 2022, predominantly due to higher holdings of cash and liquid assets driven largely by an increase in member deposits.

Loans and advances to customers

Lending remains predominantly concentrated on high quality secured products, with residential mortgages accounting for 95.1% of our total loans and advances to customers at April 4, 2022 (April 4, 2021: 94.6%).

	As at April 4,			
	2022		2021	
	(£ million, except percentages)			
Prime residential mortgages	154,354	74.4%	149,681	74.5%
BTL and legacy residential mortgages	43,579	21.0%	41,025	20.4%
Total residential mortgages	**197,933**	95.4%	**190,706**	**94.9%**
Commercial and other lending	5,475	2.6%	6,286	3.2%
Consumer banking	4,109	2.0%	3,902	1.9%
Sub-total	**207,517**	**100%**	**200,894**	**100%**
Fair value adjustments for micro hedged risk	549		653	
Total	**208,066**		**201,547**	

Residential mortgage portfolio

Gross mortgage lending in the period increased to £36.5 billion (April 4, 2021: £29.6 billion), representing a market share of 12.4% (April 4, 2021: 12.5%). The growth is supported by a housing market that maintained significant momentum, even after the stamp duty holiday was concluded in September 2021.

Total mortgage balances increased to £197.9 billion as at April 4, 2022 (April 4, 2021: £190.7 billion). Strong mortgage lending resulted in our BTL and legacy residential mortgage balances growing to £43.6 billion (April 4, 2021: £41.0 billion) and our prime mortgage balances increasing to £154.4 billion (April 4, 2021: £149.7 billion).

The average LTV of new lending in the year ended April 4, 2022, weighted by value was 70% (April 4, 2021: 70%). The average LTV of prime new business completed in the period remained stable at 71% (April 4, 2021: 71%). In the BTL portfolio, the average LTV of new business has remained stable at 67%. Despite the reintroduction of higher LTV lending to support first time buyers, the proportion of new lending at 85% LTV and above has reduced to 13% (April 4, 2021: 14%). However, the average has remained stable due to a higher concentration of lending at 75% to 80% LTV which increased to 11% (April 4, 2021: 7%). Higher than average demand in the housing market has driven up house prices over the period with the Nationwide House Price Index showing a 14.3% increase year on year. This has caused our average LTV to reduce to 52% (April 4, 2021: 56%).

Arrears remain low and have decreased during the year, with cases more than three months in arrears at 0.34% (April 4, 2021: 0.43%) of the total portfolio. It is expected that the current low level of arrears is temporary and is a result of both government support schemes and reduced opportunities to spend discretionary income during the pandemic. Impairment provision balances have decreased to £187 million (April 4, 2021: £317 million) due to improvements in the macroeconomic outlook and house price growth during the year.

New business by borrower type remains diversified. During the period, as a result of market dislocation due to the pandemic, there has been a movement in the distribution of new business towards remortgages and BTL lending. Prime house purchase sectors have seen the greatest impact to date.

	As at April 4,	
	2022	**2021**
	(percentages)	
LTV distribution of residential mortgages:		
0% - 60%	27	26
60% - 75%	35	36
75% - 80%	11	7
80% - 85%	14	17
85% - 90%	11	12
90% - 95%	2	2
>95%	—	—
Total	**100**	**100**
Average loan to value of stock	52	56
Average loan to value of new business	70	70
New business profile:		
First-time buyers	29	27
Home movers	30	28
Remortgagers	20	19
BTL	20	25
Other	1	1
Total	**100**	**100**

The analysis of the new business profile and the average LTV for new business excludes further advances.

Total residential balance sheet provisions at April 4, 2022 were £187 million, compared with £317 million at April 4, 2021 due to an improved economic outlook for both house prices and unemployment rates, combined with a stronger than expected performance of accounts which had utilized payment deferrals.

	As at April 4,	
	2022	**2021**
Cases three months or more in arrears as (%) of total book of residential mortgages	*(percentages)*	

Prime	0.30	0.35
BTL and legacy	0.50	0.72
Total Group residential mortgages	**0.34**	**0.43**
UK Finance (UKF) industry average [(1)(2)]	**0.83**	**0.92**

Note:

(1) The methodology for calculating mortgage arrears is based on the UKF definition of arrears, where months in arrears is determined by dividing the arrears balance outstanding by the latest monthly contractual payment.

(2) The 2022 rate quoted is the December 2021 value. During the year, UKF restated the 2021 industry average arrears rate as a result of improved data reporting. The previously reported 2021 rate was 0.85%.

The end of payment deferrals (July 2021) and the Coronavirus Job Retention Scheme (September 2021) did not result in the anticipated increase in mortgage arrears. Unemployment has remained stable and the proportion of cases more than three months in arrears has decreased during the year to 0.34% (2021: 0.43%). Arrears levels are expected to increase as a result of the rising cost of living but to remain low relative to the industry average. Our overall arrears percentage of 0.34% compares favorably with the UK Finance ("**UKF**") industry average of 0.83% (April 4, 2021: 0.92%) as reported by UKF.

The table below shows possessions as a percentage of our total residential mortgages as at April 4, 2022 and April 4, 2021:

	As at April 4,	
	2021	**2021**
Possessions as (%) of total residential mortgages (number of properties)	*(percentages)*	
Prime	0.00	0.00
BTL and legacy	0.01	0.01
Total Group residential mortgages	**0.01**	**0.01**

Our approach to dealing with customers in financial difficulties combined with our historically cautious approach to lending, means that we only take possession of properties as a last resort. This is illustrated by the number of properties taken into possession compared with the total for the industry. During the year ended April 4, 2022, the properties taken into possession increased to 159, representing 0.01% of our book compared to the industry average of 0.01%.[1]

The table below provides further information on the residential mortgage portfolio by payment due status as at April 4, 2022 and April 4, 2021:

	As at April 4,							
	2022				2021			
	Prime	**BTL and legacy**	**Total**	**(%)**	**Prime**	**BTL and legacy**	**Total**	**(%)**
	(£ billion, except percentages)							
Not impaired:								
Not past due	152.9	43.0	195.9	98.9	148.3	40.5	188.7	98.8
Past due 0 to 1 month	0.9	0.3	1.2	0.6	0.8	0.3	1.1	0.6
Past due 1 to 3 months	0.2	0.1	0.4	0.2	0.3	0.2	0.4	0.2
Past due 3 to 6 months	0.1	0.1	0.2	0.1	0.1	0.1	0.3	0.2
Past due 6 to 12 months	0.1	0.1	0.2	0.1	0.1	0.1	0.2	0.1
Past due 12 months	0.1	0.1	0.2	0.1	0.1	0.1	0.2	0.1
Possession	0.0	0.0	0.0	—	0.0	0.0	0.0	0.0
Total	**154.4**	**43.7**	**198.1**	**100**	**149.8**	**41.2**	**191.0**	**100**

[1] Source: UKF

The balance of cases past due by more than three months has reduced to £596 million (April 4, 2021: £740 million). There was a relatively small increase in possessions to £19 million (April 4, 2021: £13 million) as activity put on hold early on in the pandemic recommenced.

The balance of cases past due by more than 12 months has decreased to £204 million (April 4, 2021: £236 million); this is principally due to the end of the possession moratorium, which was in place until the end of May 2021. The total value in arrears was £30 million (April 4, 2021: £29 million).

For residential mortgage loans

Nationwide is committed to supporting borrowers facing financial difficulty by working with them to find a solution through proactive arrears management and forbearance. The Group applies the European Banking Authority ("**EBA**") definition of forbearance. Residential mortgages subject to forbearance at April 4, 2022 were £1,299 million compared to £1,410 million at April 4, 2021. Loans where more than one concession event has occurred are reported under the latest event.

Balances subject to forbearance 2022	**Prime**	**BTL and legacy**	**Total**
		(*£ million*)	
Past term interest only	113	141	254
Interest only concessions	639	32	671
Capitalization	88	30	118
Capitalization – notification of death of borrower	81	93	174
Term extensions (within term)	32	16	48
Permanent interest only conversions	2	32	34
Total forbearance	**955**	**344**	**1,299**
Impairment provision on forborne loans	**12**	**18**	**30**

Balances subject to forbearance 2021	**Prime**	**BTL and legacy**	**Total**
		(*£ million*)	
Past term interest only concessions	126	123	249
Interest only concessions	725	41	766
Capitalization	71	37	108
Capitalization – notification of death of borrower	103	91	194
Term extensions (within term)	35	15	50
Permanent interest only conversions	2	41	43
Total forbearance	**1,062**	**348**	**1,410**
Impairment provision on forborne loans	**19**	**18**	**37**

The balances outlined above apply to the prime residential mortgage portfolio. The table below shows outstanding loans as at April 4, in each of 2022 and 2021 that are subject to forbearance in alignment with European Banking Authority definitions.

	As at April 4,			
	2022		**2021**	
	(*£ million*)	(*%*)	(*£ million*)	(*%*)
Past term interest only concessions	254	19.6%	249	17.7%
Interest only concessions	671	51.7%	766	54.4%
Capitalization	292	22.5%	302	21.4%

Term extensions (within term)	48	3.7%	50	3.5%
Permanent interest only conversions	34	2.6%	43	3.0%
Total forbearance	**1,299**	**100%**	**1,410**	**100.0%**

The following table presents negative equity on residential mortgages:

	As at April 4,	
	2022	**2021**
	(£ million)	
Stage 1 and 2	8	17
Stage 3	2	3
Total	**10**	**20**

For commercial loans

Forbearance in the commercial portfolios is recorded and reported at borrower level and applies to all commercial lending including impaired exposures and customers subject to enforcement and recovery action. Impairment provisions on forborne loans are calculated on an individual borrower basis.

The table below provides details of the commercial loans which are subject to forbearance as at April 4, 2022 and 2021. Loans where more than one concession event has occurred are reported under the latest event.

	As at April 4,	
	2022	**2021**
	(*£ million*)	
Refinance	7	8
Modifications:		
Payment concession	125	100
Security amendment	2	6
Extension at maturity	37	7
Breach of covenant	14	123
Total	**185**	**244**
Impairment provision on forborne loans	**27**	**29**

Consistent with the European Banking Authority reporting definitions, loans that meet the forbearance exit criteria are not reported as forborne.

Total forbearance (excluding FVTPL) has reduced to £185 million, comprising Commercial Real Estate ("**CRE**") of £116 million and project finance of £69 million (2021: £244 million; CRE £155 million and project finance £89 million), driven by loan repayments over the year. The principal modification remains payment concessions (where capital or interest is suspended or postponed due to borrowers experiencing payment difficulties) driven by loans transferring from other concession types such as covenant breach.

The total impairment provision on forborne loans has reduced to £27 million (April 4, 2021: £29 million). In addition, there are £36 million of FVTPL commercial lending balances which are forborne (April 4, 2021: £nil) that relate to a maturity extension for a single exposure.

For consumer loans

The table below provides details of the consumer banking exposures which are subject to forbearance as at April 4, 2022 and April 4, 2021. Where more than one concession event has occurred, exposures are reported under the latest event.

	Overdrawn current accounts	Personal loans	Credit cards	Total
2022		(*£ million*)		
Payment concession	4	—	1	5
Interest suppressed payment concession	4	36	11	51
Balances re-aged/re-written	-	2	2	4
Total forbearance	**8**	**38**	**14**	**60**
Impairment provision on forborne loans	**6**	**28**	**9**	**43**
2021				
Payment concession	7	—	1	8
Interest suppressed payment arrangement	6	42	13	61
Balances re-aged/re-written	—	1	2	3
Total forbearance	**13**	**43**	**16**	**72**
Impairment provision on forborne loans	**8**	**31**	**11**	**50**

Commercial loan portfolio

The commercial portfolio comprises loans which have been provided to meet the funding requirements of registered social landlords, commercial real estate investors and project finance initiatives. The commercial real estate and project finance portfolios are closed to new business.

Nationwide continues to support commercial borrowers where income has been disrupted through the impacts of Covid-19. Credit quality has been stable, although portfolio performance has benefited from the impact of government support schemes, payment deferrals and the low interest rate environment.

Commercial balances

	As at April 4,	
	2022	**2021**
	(£ million)	
Registered social landlords[(1)]	4,329	4,828
Commercial real estate (CRE)	513	769
Project finance[(2)]	611	670
Commercial balances at amortized cost	**5,453**	**6,267**
Fair value adjustment for micro hedged risk[(3)]	549	653
Commercial lending balances - FVTPL	52	52
Total	**6,054**	**6,972**

Notes:

(1) Loans to registered landlords are secured on residential property.

(2) Loans advanced in relation to project finance are secured on cash flows from government or local authority backed contracts under the Private Finance Initiative.

(3) Micro hedged risk relates to loans hedged on an individual basis.

During the year, commercial balances have decreased to £6 billion (April 4, 2021: £7 billion). The reduction has been most significant in the registered social landlords portfolio where loan amortization and repayments exceeded drawdowns on new lending to this sector. The reduction in commercial real estate balances is driven by repayment of loans and exit of defaulted exposures.

Impairment charge/(release) for the year for commercial

	For the year ended April 4,	
	2022	**2021**
	(£ million)	*(£ million)*
Total	**8**	**(6)**

Note:

(1) Impairment losses represent the total amount charged through the profit and loss account, rather than amounts written off during the year.

The increase in impairment is driven by a reduction to the property values for a small number of individually assessed exposures.

The following table shows commercial balances carried at amortized cost on the balance sheet, with the stage allocation of the exposures, impairment provisions and resulting provision coverage ratio:

Commercial product and staging analysis

	For the year ended April 4,							
	2022				2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	(£ million)							
Gross balances								
Registered social landlords	4,292	37	-	4,329	4,782	46	—	4,828
CRE	393	65	55	513	574	120	75	769
Project finance	552	54	5	611	595	53	22	670
Total	**5,237**	**156**	**60**	**5,453**	**5,951**	**219**	**97**	**6,267**
Provisions								
Registered social landlords	1	—	—	1	1	—	—	1
CRE	—	1	13	14	1	2	23	26
Project finance	—	13	2	15	—	2	4	6
Total	**1**	**14**	**15**	**30**	**2**	**4**	**27**	**33**
Provisions as a (%) of total balance	*(percentages)*							
Registered social landlords	0.01	0.16	—	0.01	0.01	0.13	—	0.01
CRE	0.15	1.22	23.41	2.80	0.19	1.89	29.81	3.34
Project finance	0.02	23.40	46.69	2.46	0.02	2.97	21.86	0.97

Total	**0.02**	**8.62**	**25.35**	**0.55**	**0.03**	**1.78**	**28.01**	**0.52**

Note:
(1) At April 3, 2021, all provisions have been attributed to underlying loans and stages.

Over the year, the performance of the commercial portfolio has remained stable, with 96% (April 4, 2021: 95%) of balances remaining in stage 1. Of the £156 million stage 2 loans (April 4, 2021: £219 million), which represent 2.9% (April 4, 2021: 3.5%) of total balances, £6.6 million (April 4, 2021: £6 million) were in arrears by 30 days or more.

Repayment of loans and exit of defaulted exposures has resulted in the reduction in stage 2 and 3 CRE loan balances, and the decrease in CRE stage 3 provisions to £13 million (April 4, 2021: £23 million).

Loans in the project finance portfolio benefit from long-term cash flows, which typically emanate from the provision of assets such as schools, hospitals, police stations, government buildings and roads, procured under the Private Finance Initiative. The increase in stage 2 provisions relates to a distressed project. Following the successful restructure of a defaulted project, stage 3 balances have reduced to £5 million (April 4, 2021: £22 million).

Credit quality

Our goal is to adopt robust credit management policies and processes to recognize and manage the risks arising from the portfolio,

The following table shows the CRE portfolio by risk grade and the provision coverage for each category. The table includes balances held at amortized cost only.

CRE gross balances by risk grade and provision coverage

	For the year ended April 4,									
	2022					2021				
	Stage 1	Stage 2	Stage 3	Total	Provision Coverage	Stage 1	Stage 2	Stage 3	Total	Provision Coverage
	(£ million)				*(percentages)*	*(£ million)*				*(percentages)*
Strong	258	5	—	263	0.0	343	4	—	347	0.1
Good	107	18	—	125	0.2	192	37	—	229	0.2
Satisfactory	26	16	—	42	0.8	39	24	—	63	1.4
Weak	2	26	1	29	2.6	—	55	—	55	3.1
Impaired	—	—	54	54	23.7	—	—	75	75	31.1
Total	**393**	**65**	**55**	**513**	**2.8**	**574**	**120**	**75**	**769**	**3.3**

The risk grades in the table above are based upon the IRB supervisory slotting approach for specialized lending exposures. Exposures are classified into categories depending on the underlying credit risk, with the assessment based upon financial strength, asset characteristics, strength of sponsor and the security. The credit quality of the CRE portfolio has remained stable with 84% (April 4, 2021: 83%) of the portfolio balances rated as strong, good, or satisfactory.

Risk grades for the project finance portfolio use the same slotting approach for specialized lending, with 90% (April 4, 2021: 90%) of the exposure rated strong or good as of April 4, 2022.

The registered social landlord portfolio is risk rated using an internal PD rating model with the major drivers being financial strength, evaluations of the borrower's oversight and management, and their type and size. The distribution of exposures is weighted towards the stronger risk ratings and against a backdrop of zero defaults in the portfolio, the credit quality remains high, with an average 12-month PD as of April 4, 2022 of 0.03% (April 4, 2021: 0.04%) across the portfolio.

In addition to the above, £52 million (April 4, 2021: £52 million) of commercial lending balances are classified as FVTPL; CRE £50 million (April 4, 2021: £49 million), registered social landlord £2 million (April 4, 2021: £3 million), in each case, as of April 4, 2022.

CRE Balances by LTV

The following table includes both amortized cost and FVTPL CRE balances:

CRE Lending gross balances by LTV

	As at April 4,	
	2022	**2021**
	(£ million)	
Fully collateralized		
LTV ratio [1]		
Less than 25%	83	101
25% to 50%	258	368
51% to 75%	173	245
76% to 90%	14	35
91% to 100%	28	31
	556	**780**
Not fully collateralized		
Over 100% LTV	7	38
Collateral value	5	25
Negative equity	2	13
Total CRE Loans	**563**	**818**

Notes:

(1) The approach to revaluing assets charged as security is determined by the industry sector, the loan balance outstanding and the indexed value of the most recent independent external collateral valuation, with higher risk loans subject to more frequent revaluations to determine provision requirements. The LTV ratio is calculated using the on-balance sheet carrying amount of the loan divided by the indexed value. The Investment Property (IPD) monthly index is used.

The LTV distribution of CRE balances has improved, with 91% (April 4, 2021: 87%) of the portfolio now having an LTV of 75% or less, and 61% (April 4, 2021: 57%) of the portfolio having an LTV of 50% or less.

Credit risk concentration by industry sector

Credit risk exposure by industry sector as a percentage of balances is broadly unchanged from the prior year. The largest exposure is to the residential sector, which represents 44% (2021: 43%) of the total CRE balance, with a weighted average LTV of 34% (2021: 38%). The exposure to retail assets has reduced to 19% (2021: 22%), with a weighted average LTV of 51% (2021: 63%). Exposure to office assets has remained at 19% (2021: 19%), with a weighted average LTV of 59% (2021: 76%).

CRE balances by payment due status

Of the £563 million (April 4, 2021: £818 million) CRE exposure, including FVTPL balances, £44 million (April 4, 2021: £61 million) relates to balances with arrears. Of these, £24 million (April 4, 2021: £32 million) have arrears greater than 3 months. These arrears balances are represented by a small number of loans that are being actively managed.

Gross balances subject to forbearance[1]

	As at April 4,	
	2022	**2021**
	(£ million)	
Refinance	7	8
Modifications:		
Payment concession	125	100

Security amendment	2	6
Extension at maturity	37	7
Breach of covenant	14	123
Total	**185**	**244**
Total impairment provision on forborne loans	**27**	**29**

Note:
(1) Loans where more than one concession event has occurred are reported under the latest event.

Possession balances represent loans against which we have taken ownership of properties pending their sale. Assets over which possession has been taken are realized in an orderly manner via open market or auction sales to derive the maximum benefit for all interested parties, and any surplus proceeds are distributed in accordance with the relevant insolvency regulations. We do not normally occupy repossessed properties for our business use or use assets obtained in our operations.

Although collateral can be an important mitigant of credit risk, it is our practice to lend on the basis of the customer's ability to meet their obligations out of cash flow resources rather than rely on the value of the security offered. In the event of default, we may use the collateral as a source of repayment.

Primary collateral is a fixed charge over freehold or long leasehold properties, but may be supported by other liens, floating charges over company assets and, occasionally, unsupported guarantees. The collateral will have a significant effect in mitigating our exposure to credit risk.

Our valuation policy stipulates the maximum period between formal valuations, relative to the risk profile of the lending. Particular attention is paid to the status of the facilities, for instance whether it is, or is likely to require an impairment review where our assessment of potential loss would benefit from updated valuations, or there are factors affecting the property that might alter the case assessment and the most appropriate action to take.

Collateral held in relation to secured loans that are either past due or impaired is capped at the amount outstanding on an individual loan basis.

Consumer banking

Credit risk in the consumer banking portfolios is primarily monitored and reported based on arrears status which is set out below:

Consumer banking gross balances by payment due status

	As at April 4,									
	2022					2021				
(*Audited*)	Overdrawn current accounts	Personal loans	Credit cards	Total		Overdrawn current account	Personal loans	Credit cards	Total	
		(£ million)			(%)		*(£ million)*			(%)
Not past due	240	2,682	1,377	4,299	92.7	189	2,616	1,259	4,064	92.3
Past due 0 to 1 month	11	33	14	58	1.2	9	34	11	54	1.2
Past due 1 to 3 months	4	11	8	23	0.5	3	10	8	21	0.5
Past due 3 to 6 months	4	15	6	25	0.5	3	16	7	26	0.6
Past due 6 to 12 months	3	9	1	13	0.3	2	11	2	15	0.3
Past due over 12 months	3	10	—	13	0.3	3	12	—	15	0.3
Charged off (1)	21	104	82	207	4.5	24	98	87	209	4.8
Total	**286**	**2,864**	**1,488**	**4,638**	**100**	**233**	**2,797**	**1,374**	**4,404**	**100**

Note:

(1) Charged off balances related to accounts which are closed to future transactions and are held on the balance sheet for an extended period (up to 36 months, depending on the product) while recovery procedures take place.

The consumer banking portfolio comprises balances on unsecured retail banking products: overdrawn current accounts, personal loans and credit cards. Over the year, total balances across these portfolios have increased by £0.2 billion to £4.6 billion (April 4, 2021: £4.4 billion), equating to 4.5% increase. The increase in balances primarily reflects increased spending on credit cards and demand for personal loans during the reporting period.

Consumer banking gross balances

	As at April 4,			
	2022		2021	
(*Audited*)	*(£ million)*	(%)	*(£ million)*	(%)
Overdrawn current accounts	286	6	233	5
Personal loans	2,864	62	2,797	64
Credit cards	1,488	32	1,374	31
Total consumer banking	**4,638**	**100**	**4,404**	**100**

Following the transition to IFRS 9, all consumer banking loans continue to be classified and measured at amortized cost.

Impairment charge for the year

	2022	2021
(*Audited*)	*(£ million)*	
Overdrawn current accounts	23	19
Personal loans	4	76
Credit cards	66	30
Total	**93**	**125**

Note: Impairment losses represent the net amount charged through the profit and loss account rather than amounts written off during the year.

The following table shows consumer banking balances by stage, with the corresponding impairment provisions and resulting provision coverage ratios:

Consumer banking product and staging analysis

	As at April 4,							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
(Audited)								
Gross balances								
Overdrawn current accounts	121	131	34	286	121	78	34	233
Personal loans	1,735	989	140	2,864	2,144	521	132	2,797
Credit cards	790	600	98	1,488	876	391	107	1,374
Total	**2,646**	**1,720**	**272**	**4,638**	**3,141**	**990**	**273**	**4,404**
Provisions								
Overdrawn current accounts	4	36	31	71	5	23	32	60
Personal loans	11	60	124	195	25	77	118	220
Credit cards	10	165	88	263	18	108	96	222
Total	**25**	**261**	**243**	**529**	**48**	**208**	**246**	**502**
Provisions as a (%) of total balance				*percentages*				
Overdrawn current accounts	3.34	27.33	90.86	24.63	3.89	29.38	93.36	25.64
Personal loans	0.62	6.09	88.50	6.80	1.18	14.81	89.06	7.87
Credit cards	1.33	27.51	89.78	17.69	2.00	27.68	89.99	16.13
Total	**0.95**	**15.18**	**89.25**	**11.40**	**1.51**	**21.04**	**89.97**	**11.39**

At April 4, 2022, 57% (April 4, 2021: 71%) of the consumer banking portfolio is in stage 1. Whilst credit performance has continued to be strong, supported by government support and reduced discretionary spending, the proportion of balances in stage 2 has increased to 37% (April 4, 2021: 22%) reflecting the affordability pressures that our borrowers are likely to face in the near future. This movement of additional up-to-date, lower risk balances to stage 2 has resulted in a reduction in the stage 2 provisions as a percentage of gross balances to 15% (April 4, 2021: 21%). The proportion of total balances in stage 3 is unchanged at 6% (April 4, 2021: 6%), reflecting broadly stable underlying credit performance. Consumer banking stage 3 gross balances and provisions include charged off balances. These are accounts which are closed to future transactions and are held on the balance sheet for an extended period (up to 36 months) whilst recovery activities take place.

Provisions have increased to £529 million (April 4, 2021: £502 million). This includes provisions totalling £98 million reflecting the higher risk of non-repayment in a high inflation environment. This has been offset by an improved outlook on the labor market since 4 April 2021, and the removal of the provision previously held for payment deferrals (2021: £38 million).

Funding and Liquidity

Funding strategy

Our funding strategy is to remain predominantly retail funded; retail customer loans and advances are therefore largely funded by customer deposits. Non-retail lending, including treasury assets and commercial customer loans, are largely funded by wholesale debt, as set out below.

	As at April 4,		
	2023	**2022**	**2021**
		(£ billion)	
Liabilities:			
Retail funding	187	178	170
Wholesale funding	58	67	60
Capital and reserves	24	24	22
Other	3	3	3
Total	**272**	**272**	**255**
Assets:			
Retail mortgages	201	198	191
Treasury (including liquidity portfolio)	56	59	46
Consumer lending	4	4	4
Commercial lending	6	6	7
Other assets	5	6	7
Total	**272**	**272**	**255**

Managing liquidity and funding risk

We manage liquidity and funding risk within a comprehensive risk framework which includes policies, strategy, limit setting and monitoring, stress testing and robust governance controls. See "*Risk Factors—Economic and Financial Risks— Liquidity and Funding*" for additional information on funding and liquidity risk.

Our management of liquidity and funding risk aims to ensure that at all times there are sufficient liquid assets, both as to amount and quality, to cover cash flow mismatches and fluctuations in funding, to retain public confidence and to enable us to meet financial obligations as they fall due, even during episodes of stress. This is achieved through the management and stress testing of business cash flows and through translation of Board risk appetite into appropriate risk limits. This ensures a prudent funding mix and maturity profile, sufficient levels of high quality liquid assets and appropriate encumbrance levels are maintained.

We continue to maintain sufficient liquid assets, in terms of both amount and quality, to meet daily cash flow needs as well as stressed requirements driven by internal and regulatory liquidity assessments. The composition of the liquid asset buffer (which includes both the on-balance sheet liquidity and investments and excludes encumbered assets) is subject to limits, set by the Board and the ALCO, in relation to issuer, currency and asset type. The liquid asset buffer predominately comprises:

- reserves held at central banks; and
- highly rated debt securities issued by a restricted range of governments, central banks and supranationals.

We also hold a portfolio of other high quality, central bank eligible, covered bonds, RMBS and asset backed securities. Other securities are held that are not eligible for central bank operations but can be monetized through repurchase agreements with third parties or through sale.

For contingent purposes, unencumbered mortgage assets are pre-positioned at the Bank of England which can be used in the Bank of England's liquidity operations if market liquidity is severely disrupted.

At its special meeting ending March 10, 2020, the Monetary Policy Committee voted unanimously for the Bank of England to introduce a new Term Funding Scheme with additional incentives for Small and Medium-sized Enterprises ("**TFSME**"). The scheme is designed to incentivize eligible participants to provide credit to businesses and households to bridge through the current period of economic disruption caused by the outbreak of Covid-19. The scheme includes additional incentives to provide credit to SMEs. The TFSME opened for drawings on April 15, 2020, and as at April 4, 2023, we had TFSME drawings of £17.2 billion.

The CET1 ratio increased to 26.5% (April 4, 2022: 24.1%) as a result of an increase in CET1 capital of £1.3 billion, in conjunction with a reduction in RWAs of £0.1 billion. The CET1 capital increase was driven by £1.7 billion profit after tax, net of distributions partially offset by £0.2 billion of capital distributions, a £0.1 billion CET1 deduction following the repurchase of Core Capital Deferred Shares (CCDS) in February 2023, and a £0.1 billion reduction in the FVOCI reserve. RWAs reduced, with an increase in residential mortgage lending being more than offset by a reduction in off-balance sheet commitments.

On December 23, 2020, EU Regulation 2020/2176 came into force, removing the deduction of certain intangible assets from CET1 resources. The PRA indicated in CP5/21 "Implementation of Basel standards" that they found no credible evidence that software assets would absorb losses effectively in a stress. Subsequently, as part of PS17/21, they confirmed the reversal of this amendment from January 1, 2022 which increased deductible intangible assets thus reducing CET1 capital by £0.5 billion as above.

RWAs reduced by £0.1 billion, partially due to a £0.3 billion decrease in retail mortgage credit risk RWAs. This was driven by a reduction in off-balance sheet commitments linked to a decrease in applications, which more than offset the impact of an increase in net mortgage lending. Commercial loan credit risk RWAs also reduced, primarily due to a decrease in the size of the commercial loan portfolio. Retail unsecured lending credit risk RWAs increased due to a six-month 0% interest rate concession provided to a number of overdrawn current accounts, to support borrowers through cost of living pressures. Operational risk RWAs increased due to rising average income in the previous three financial years.

In line with the prior year, a model adjustment continues to be included within RWAs to ensure outcomes are consistent with the revised IRB regulations in force from January 1, 2022. The impact of this is a £21.4 billion (2022: £21.8 billion) increase in risk weighted assets, predominantly in relation to retail mortgages. In line with other industry participants, Nationwide continues to engage with the PRA regarding approval and implementation timings.

On February 12, 2021, the PRA published CP5/21 "Implementation of Basel standards". The purpose of the rules was to implement the remaining Basel international standards. The consultation paper included a revised standardized approach to counterparty credit risk (SA-CCR) and the revised Basel framework for exposures to

central counterparties (CCPs) amongst other changes. On July 22, 2021, the PRA published PS17/21 confirming the changes set out in CP5/21, which took effect on January 1, 2022. The changes did not materially impact capital requirements.

UK CRD V requires firms to calculate a leverage ratio, which is non-risked based, to supplement risk-based capital requirements. The leverage ratio was equal to 6.0% (April 4, 2022: 5.4%), with Tier 1 capital increasing by £1.3 billion as a result of the CET1 capital movements outlined above. In addition, there was a decrease in leverage exposure of £6.1 billion driven by the same movements as described above for RWAs. This position remains in excess of our leverage capital requirement of 4.0%, which comprises a minimum Tier 1 capital requirement of 3.25% and buffer requirements of 0.75%. The buffer requirement reflects a 0.4% countercyclical leverage ratio buffer in-force from December 13, 2022, which will increase to 0.7% in July 2023.

On October 8, 2021, as part of its policy statement PS21/21, the PRA confirmed its intention to simplify the leverage framework by applying a single Leverage Exposure Measure ("**LEM**") for all purposes from January 1, 2022. This measure aligned to the previous UK leverage exposure definition, which excludes central bank claims.

Liquidity

We monitor our liquidity position relative to internal risk appetite and the regulatory short-term liquidity stress metric, the Liquidity Coverage Ratio ("**LCR**"). Our average LCR over the 12 months ended April 4, 2023 was 180% (April 4, 2022: 183%), which is above the regulatory minimum of 100%.

We also monitor our position against the longer-term funding metric, the Net Stable Funding Ratio ("**NSFR**"). Our NSFR for the four quarters ended April 4, 2023 was 147% (April 4, 2022: 146%) which exceeds the 100% minimum requirement.

Wholesale funding

An analysis of our wholesale funding is set out in the table below:

	As at April 4, 2023		**As at April 4, 2022**	
	(£ billion, except percentages)			
Repos	2.1	4%	11.1	16%
Deposits	11.0	19%	8.9	13%
Certificates of deposit	1.0	2%	—	—
Covered bonds	14.4	25%	12.9	19%
Medium-term notes	11.1	19%	10.0	15%
Securitizations	2.5	4%	3.0	4%
Term Funding Scheme with additional incentives for SMEs (TFSME)	17.2	29%	21.7	33%
Other	(1.4)	(2)%	(0.3)	0%
Total	**57.9**	**100%**	**67.3**	**100%**

	As at April 4, 2022		**As at April 4, 2021**	
	(£ billion, except percentages)			
Repos	11.1	16%	8.1	14%
Deposits	8.9	13%	7.0	12%
Certificates of deposit	—	—	0.1	0%

	As at April 4, 2022		As at April 4, 2021	
	(£ billion, except percentages)			
Covered bonds	12.9	19%	15.0	25%
Medium-term notes	10.0	15%	9.2	15%
Securitizations	3.0	4%	2.9	5%
Term Funding Scheme with additional incentives for SMEs (TFSME)	21.7	33%	16.4	28%
Other	(0.3)	0%	0.8	1%
Total	**67.3**	**100%**	**59.5**	**100%**

The table below sets out our wholesale funding by currency as at April 4, 2023:

	As at April 4, 2023				
	GBP	**EUR**	**USD**	**Other**	**Total**
			(£ billion)		
Repos	1.4	0.1	0.6	—	2.1
Deposits	11.0	—	—	—	11.0
Certificates of deposit	1.0	—	—	—	1.0
Commercial paper	—	—	—	—	—
Covered bonds	6.0	7.2	—	1.2	14.4
Medium term notes	1.1	4.8	3.9	1.3	11.1
Securitizations	2.3	—	0.2	—	2.5
Term Funding Scheme with additional incentives for SMEs (TFSME)	17.2	—	—	—	17.2
Other	—	(1.1)	(0.2)	(0.1)	(1.4)
Total	**40.0**	**11.0**	**4.5**	**2.4**	**57.9**

The table below sets out our wholesale funding by currency as at April 4, 2022:

	As at April 4, 2022				
	GBP	**EUR**	**USD**	**Other**	**Total**
			(£ billion)		
Repos	4.2	2.9	4.0	—	11.1
Deposits	8.8	0.1	—	—	8.9
Certificates of deposit	—	—	—	—	—
Commercial paper	—	—	—	—	—
Covered bonds	5.4	6.4	0.7	0.4	12.9
Medium term notes	1.8	3.8	3.8	0.6	10.0
Securitizations	2.6	—	0.4	—	3.0
Term Funding Scheme with additional incentives for SMEs (TFSME)	21.7	—	—	—	21.7
Other	—	(0.2)	(0.1)	—	(0.3)
Total	**44.5**	**13.0**	**8.8**	**1.0**	**67.3**

The table below sets out our wholesale funding by currency as at April 4, 2021:

	As at April 4, 2021				
	GBP	**EUR**	**USD**	**Other**	**Total**
			(£ billion)		
Repos	4.2	0.8	2.9	0.2	8.1
Deposits	6.4	0.6	—	—	7.0
Certificates of deposit	0.1	—	—	—	0.1
Commercial paper	—	—	—	—	—

	As at April 4, 2021				
	GBP	**EUR**	**USD**	**Other**	**Total**
	(£ billion)				
Covered bonds	5.4	8.5	0.7	0.4	15.0
Medium term notes	2.0	3.2	3.4	0.6	9.2
Securitizations	2.0	0.5	0.4	—	2.9
Term Funding Scheme with additional incentives for SMEs (TFSME)	16.4	—	—	—	16.4
Other	0.2	0.5	0.1	—	0.8
Total	**36.7**	**14.1**	**7.5**	**1.2**	**59.5**

To mitigate cross-currency refinancing risk, we prudently manage the currency mix of our liquid assets to ensure there is no undue reliance on currencies not consistent with the profile of stressed outflows.

At April 4, 2023, cash, government bonds and supranational bonds included in the liquid asset buffer represented 229% (April 4, 2022: 153%) of wholesale funding maturing in less than one year, assuming no rollovers.

The tables below set out the residual maturity of the wholesale funding book as at April 4, 2023 and April 4, 2022 respectively:

	As at April 4, 2023		As at April 4, 2022	
	(£ billion, except percentages)			
Less than one year	19.7	34.0%	25.9	38.5%
One to two years	14.1	24.4%	5.5	8.2%
More than two years	24.1	41.6%	35.9	53.3%
Total	57.9	100%	67.3	100%

The table below sets out a more detailed breakdown of the residual maturity on the wholesale funding book:

	As at April 4, 2023							
	Not more than one month	**Over one month but not more than three months**	**Over three months but not more than six months**	**Over six months but not more than one year**	**Sub-total less than one year**	**Over one year but not more than two years**	**Over two years**	**Total**
	(£ billion, except percentages)							
Repos	2.1	—	—	—	2.1	—	—	2.1
Deposits	7.6	1.6	1.4	0.3	10.9	0.1	—	11.0
Certificates of deposit	1.0	—	—	—	1.0	—	—	1.0
Commercial paper	—	—	—	—	—	—	—	—
Covered bonds	0.8	0.1	—	1.6	2.5	1.1	10.8	14.4
Medium-term notes	0.7	—	—	1.4	2.1	0.8	8.2	11.1
Securitizations	0.7	—	0.2	0.2	1.1	0.3	1.1	2.5
TFSME	—	—	—	—	—	11.9	5.3	17.2
Other	—	—	—	—	—	(0.1)	(1.3)	(1.4)
Total	12.9	1.7	1.6	3.5	19.7	14.1	24.1	57.9
Of which secured	3.6	0.1	0.2	1.8	5.7	13.3	16.4	35.4
Of which unsecured	9.3	1.6	1.4	1.7	14.0	0.8	7.7	22.5
% of total	22.3	2.9	2.8	6.0	34.0	24.4	41.6	100.0

	As at April 4, 2022							
	Not more than one month	Over one month but not more than three months	Over three months but not more than six months	Over six months but not more than one year	Sub-total less than one year	Over one year but not more than two years	Over two years	Total
	(£ billion, except percentages)							
Repos	11.1	—	—	—	11.1	—	—	11.1
Deposits	5.8	1.1	2.0	—	8.9	—	—	8.9
Certificates of deposit	—	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—	—
Covered bonds	—	—	1.0	1.7	2.7	2.3	7.9	12.9
Medium-term notes	0.2	0.6	—	1.3	2.1	1.9	6.0	10.0
Securitizations	0.4	—	0.2	0.5	1.1	1.3	0.6	3.0
TFSME	—	—	—	—	—	—	21.7	21.7
Other	—	—	—	—	—	—	(0.3)	(0.3)
Total	17.5	1.7	3.2	3.5	25.9	5.5	35.9	67.3
Of which secured	11.5	—	1.2	2.2	14.9	3.6	30.1	48.6
Of which unsecured	6.0	1.7	2.0	1.3	11.0	1.9	5.8	18.7
% of total	26.0	2.5	4.8	5.2	38.5	8.2	53.3	100.0

External Credit Ratings

Our long-term and short-term credit ratings from the major rating agencies as at the date of this Base Prospectus are as set out below. The long-term rating for both Standard & Poor's (S&P) and Moody's is the senior preferred rating. The long-term rating for Fitch is the senior non-preferred rating:

	Senior Preferred	Short-Term	Senior Non-Preferred	Tier 2	Date of last rating action /confirmation	Outlook
S&P	A+	A-1	BBB+	BBB	January 2023	Stable
Moody's	A1	P-1	A3	Baa1	March 2023	Stable
Fitch	A+	F1	A	BBB+	January 2023	Stable

In October 2021, S&P upgraded our long term issuer credit rating and senior preferred rating to A+ and changed the outlook to stable; all other ratings were unchanged. This followed a change to a positive outlook in June 2021. S&P stated that the upgrade was due to our performance in the last 12 months in reducing costs, writing profitable new business, and maintaining strong asset quality. All ratings were affirmed in January 2022, August 2022 and January 2023.

In July 2021, Moody's upgraded our senior non-preferred debt rating to Baa1 from Baa2 following the introduction of Moody's revised Advanced Loss Given Failure framework. All other ratings were affirmed. All ratings were affirmed in February 2022. In October 2022, Moody's affirmed our long term and senior preferred rating and confirmed the stable outlook. At the same time our senior non-preferred, tier 2 and additional tier 1 ratings were all upgraded by one notch. All ratings were affirmed in March 2023.

In July 2021, Fitch revised the outlook on us to stable from negative and affirmed all ratings. The revision of the outlook primarily reflected the revision of Fitch's outlook on the UK's AA- rating to stable. Fitch affirmed the ratings in January 2022, September 2022 and January 2023.

Treasury Assets

Our liquidity and investment portfolio held on the balance sheet at April 4, 2023 of £56.1 billion (April 4, 2022: £58.8 billion) is held in two separate portfolios: liquid assets and other securities.

The liquid assets portfolio comprises cash held at central banks, highly rated debt securities issued by a limited range of governments, multi-lateral development banks (referred to as "supranationals"), and government guaranteed agencies. In addition, cash is invested in highly rated liquid assets (covered bonds, residential mortgage backed securities and asset-backed securities) that are eligible for accessing central bank funding operations. The other securities portfolio comprises available for sale investment securities, with movements reflecting legacy asset disposals, market prices and the Group's operational and strategic liquidity requirements.

Our Treasury Credit Policy ensures all credit risk exposures align to the Board's risk appetite with investments restricted to low risk assets and proven market counterparties; an analysis of our on-balance sheet portfolios by credit rating and geographical location of the issuers is set out below.

	As at April 4, 2023									
		Credit Rating				Geography				
Liquidity and investment portfolio by credit rating:	**£ million**	**AAA**	**AA**	**A**	**Other**	**UK**	**USA**	**Europe**	**Japan**	**Other**
	(£ million)					*(percentages)*				
Liquid assets:										
Cash and reserves at central banks	25,635	—	99	1	—	99	—	1	—	—
Government bonds	20,130	31	54	15	—	37	24	14	12	13
Supranational bonds	2,838	46	54	—	—	—	—	—	—	100
Covered bonds	2,843	100	—	—	—	46	—	16	—	38
Residential mortgage backed securities (RMBS)	618	100	—	—	—	69	—	31	—	—
Asset-backed securities (other)	197	100	—	—	—	94	—	6	—	—
Liquid assets total	**52,261**	**22**	**72**	**6**	—	**67**	**9**	**7**	**5**	**12**
Other securities:										
RMBS FVOCI	885	100	—	—	—	100	—	—	—	—
RMBS amortized cost	40	100	—	—	—	100	—	—	—	—
Other investments	64	—	11	—	89	89	—	11	—	—
Other securities total	**989**	**93**	**1**	—	**6**	**99**	—	**1**	—	—
Loans and advances to banks	2,860	—	85	14	1	82	13	5	—	—
Total	**56,110**	**22**	**71**	**7**	—	**68**	**9**	**7**	**4**	**12**

Ratings used are obtained from Standard & Poor's (S&P) and from Moody's or Fitch if no S&P rating is available. For loans and advances to banks and similar institutions, internal ratings are used. A monthly review of the current and expected future performance of all treasury assets is undertaken, with regular independent review, underpinned by robust risk reporting and performance metrics, to measure, mitigate and manage credit risk. In accordance with accounting standards, assets are impaired where there is objective evidence that current events or performance will result in a loss. In assessing impairment we evaluate, among other factors, normal volatility in valuation, evidence of deterioration in the financial health of the obligor, industry and sector performance and underlying cash flows.

Collateral held as security for treasury assets is determined by the nature of the instrument. Treasury liquidity and portfolios are generally unsecured with the exception of reverse repos, asset-backed securities ("**ABS**") and similar instruments, which are secured by pools of financial assets.

Fair value through other comprehensive income reserve

Of the total £63,033 million (April 4, 2022: £63,480 million) liquidity and investment portfolio at April 4, 2023, £27,575 million (April 4, 2022: £25,366 million) was held as fair value. These assets are marked to market, with fair value movements recognized in reserves or through profit and loss.

Of these assets, £54 million (April 4, 2022: £63 million) were classified as Level 3 (valuation not based on observable market data) for the purposes of IFRS 13. Further detail on the Level 3 portfolio is provided in note 21 in our unaudited condensed consolidated financial statements for the year ended April 4, 2023.

As at April 4, 2023, the balance on the FVOCI reserve was a £14 million loss, net of tax (April 4, 2022: £89 million profit). The movements in the FVOCI reserve reflect general market movements and the realization of gains through disposal of investment assets. The fair value movement of FVOCI assets that are not impaired has no effect on our profit. As at April 4, 2023 investment securities classified as FVTPL totalled £13 million (April 4, 2022: £17 million).

The following table provides an analysis of financial assets and liabilities held on our balance sheet at fair value, grouped in levels 1 to 3 based on the degree to which the fair value is observable:

	As at April 4, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
		(£ million)		
Financial Assets:				
Government, government guaranteed and supranational investments	22,968	—	—	22,968
Other debt investment securities	2,843	1,707	2	4,552
Investment in equity shares	—	3	52	55
Total investment securities[(i)]	**25,811**	**1,710**	**54**	**27,575**
Interest rate swaps	—	4,617	—	4,617
Cross currency interest rate swaps	—	1,801	—	1,801
Forward foreign exchange	—	13	—	13
Inflation swaps	—	265	157	422
Bond forwards	—	70	—	70
Total derivative financial instruments	—	**6,766**	**157**	**6,923**
Loans and advances to customers	—	—	100	100
Total financial assets	**25,811**	**8,476**	**311**	**34,598**
Financial liabilities:				
Interest rate swaps	—	(774)	—	(774)
Cross currency interest rate swaps	—	(663)	—	(663)
Forward foreign exchange	—	(6)	—	(6)
Swaptions	—	—	(3)	(3)
Bond forwards	—	(18)	—	(18)
Inflation swaps	—	(52)	(8)	(60)
Total derivative financial instruments	—	**(1,513)**	**(11)**	**(1,524)**
Financial liabilities	—	**(1,513)**	**(11)**	**(1,524)**

Note:

(i) Investment securities exclude £40 million (2022: £118 million) of investment securities held at amortized cost.

	As at April 4, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
		(£ million)		
Financial Assets:				
Government, government guaranteed and supranational investments	20,897	—	—	20,897
Other debt investment securities	2,630	1,776	5	4,411
Investment in equity shares	—	—	58	58
Total investment securities[(i)]	**23,527**	**1,776**	**63**	**25,366**
Interest rate swaps	—	2,683	—	2,683
Cross currency interest rate swaps	—	1,695	—	1,695
Forward foreign exchange	—	15	—	15
Inflation swaps	—	—	260	260
Bond forwards	—	70	—	70
Total derivative financial instruments	—	**4,463**	**260**	**4,723**
Loans and advances to customers	—	—	116	116
Total financial assets	**23,527**	**6,239**	**439**	**30,205**
Financial liabilities:				
Interest rate swaps	—	(492)	—	(492)
Cross currency interest rate swaps	—	(743)	—	(743)
Forward foreign exchange	—	(12)	—	(12)
Swaptions	—	—	—	—
Bond forwards	—	(5)	—	(5)
Inflation swaps	—	—	(176)	(176)
Total derivative financial instruments	—	**(1,252)**	**(176)**	**(1,428)**
Financial liabilities	—	**(1,252)**	**(176)**	**(1,428)**

Note:

(i) Investment securities exclude £118 million (2021: £1,243 million) of investment securities held at amortized cost.

	As at April 4, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
		(£ million)		
Financial Assets:				
Government, government guaranteed and supranational investments	21,363	—	—	21,363
Other debt investment securities	1,748	1,087	5	2,840
Investment in equity shares	—	—	27	27
Total investment securities[(i)]	**23,111**	**1,087**	**32**	**24,230**
Interest rate swaps	—	1,569	—	1,569
Cross currency interest rate swaps	—	2,055	—	2,055
Forward foreign exchange	—	20	—	20
Index linked swaps	—	—	112	112
Bond futures	—	53	—	53

	As at April 4, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
		(£ million)		
Total derivative financial instruments	—	**3,697**	**112**	**3,809**
Loans and advances to customers	—	—	120	120
Total financial assets	**23,111**	**4,784**	**264**	**28,159**
Financial liabilities:				
Interest rate swaps	—	(737)	—	(737)
Cross currency interest rate swaps	—	(819)	—	(819)
Forward foreign exchange	—	(12)	—	(12)
Swaptions	—	—	—	—
Bond forwards	—	(2)	—	(2)
Inflation swaps	—	—	(52)	(52)
Total derivative financial instruments	—	**(1,570)**	**(52)**	**(1,622)**
Financial liabilities	—	**(1,570)**	**(52)**	**(1,622)**

Note:

(i) Investment securities exclude £1,243 million (2020: £1,625 million) of investment securities held at amortized cost.

Our Level 1 portfolio comprises government and other highly rated securities for which traded prices are readily available.

Asset valuations for Level 2 investment securities are sourced from consensus pricing or other observable market prices. None of the Level 2 investment securities are valued from models. Level 2 derivative assets and liabilities are valued using observable market data for all significant valuation inputs.

The main constituents of the Level 3 portfolio are as follows:

- Loans and advances to customers
- Certain loans and advances to customers have been classified as FVTPL. Level 3 assets in this category include a closed portfolio of residential mortgages and a small number of commercial loans.
- Investment securities

The Level 3 items in this category primarily include investments made in FinTech companies, of which £44 million (April 4, 2022: £46 million) were equity investments which have been designated at FVOCI as the investments are being held for long term strategic purposes.

- Derivative financial instruments (inflation swaps)

Inflation swaps are used to hedge the Group's investments in index-linked government debt. Adjustments to the inflation curve to reflect seasonality in inflation index publications is required to determine a valuation; however, unlike most derivative valuation inputs, this market data is not available and therefore the input is internally derived rather than observable. During the year ended April 4, 2021, the Group began transacting Euro and US Dollar inflation swaps, for which seasonality is a more significant input than for equivalent sterling swaps. As a result, seasonality became significant to the valuation of the inflation swap portfolio as a whole, and the portfolio was therefore transferred from Level 2 to Level 3 from September 30, 2020.

Financial Condition of Nationwide

Capital Resources

Capital is held by us to protect our depositors, cover our inherent risks, provide a cushion for stress events and support our business strategy. In assessing the adequacy of our capital resources, we consider our risk appetite in the context of the material risks to which we are exposed and the appropriate strategies required to manage those risks. We manage our capital structure to ensure we continue to meet minimum regulatory requirements, as well as meeting the expectations of other key stakeholders. As part of the risk appetite framework, we target strong capital ratios relative to both regulatory requirements and major banking peers. Any planned changes to the balance sheet, potential regulatory developments and other factors (such as trading outlook, movements in the fair value other comprehensive income reserve and pension deficit) are all considered. Our strategic leverage ratio target is 4.5%.

The capital strategy is to manage capital ratios through retained earnings, supplemented by external capital where appropriate. In recent years, we have demonstrated our ability to supplement retained earnings through the issuance of CET1, AT1 and Tier 2 capital instruments and have delivered significant deleveraging of our non-core CRE portfolio and out of policy treasury assets. The capital disclosures included below are reported on a CRD IV end point basis unless otherwise stated. This assumes that all CRD IV requirements are in force during the period, with no transitional provisions permitted. In addition, the disclosures are on a Group (consolidated) basis, including all subsidiary entities, unless otherwise stated.

The table below reconciles the general reserves to total regulatory capital.

	As at April 4,		
	2023	**2022**	**2021**
		(£ million)	
General reserve	14,184	12,753	11,140
Core capital deferred shares (CCDS)[1]	1,334	1,334	1,334
Revaluation reserve	38	46	44
FVOCI reserve	(14)	89	110
Cashflow hedge and other hedging reserves	129	142	149
Regulatory adjustments and deductions:			
FVOCI reserve temporary relief[2]	-	(21)	(41)
Cashflow hedge and other hedging reserves[3]	(129)	(142)	(149)
Direct holdings of CET1 instruments[1]	(101)	-	-
Foreseeable distributions[4]	(67)	(71)	(71)
Prudent valuation adjustment[5]	(119)	(80)	(39)
Own credit and debit valuation adjustments[6]	(27)	(12)	(3)
Intangible assets[7]	(839)	(884)	(525)
Goodwill[7]	(12)	(12)	(12)
Defined benefit pension fund asset[7]	(614)	(654)	(112)
Excess of regulatory expected losses over impairment provisions[8]	(45)	(48)	(1)
IFRS 9 transitional arrangements[9]	15	31	183
Insufficient coverage for non-performing exposures[10]	-	-	-
Total regulatory adjustments and deductions	(1,938)	(1,893)	(770)
CET1 capital	**13,733**	**12,471**	**12,007**
Other equity instruments (Additional Tier 1)	1,336	1,336	1,336
Total Tier 1 capital	**15,069**	**13,807**	**13,343**
Dated subordinated debt[11]	1,835	2,643	2,833
Excess of impairment provisions over regulatory expected losses[8]	14	37	144
IFRS 9 transitional arrangements[9]	(10)	(21)	(144)
Tier 2 capital	**1,839**	**2,659**	**2,833**
Total regulatory capital	**16,908**	**16,466**	**16,176**

Notes:

1. The CCDS amount does not include the £101 million deduction for the Group's repurchase exercise completed in February 2023. This is presented separately as a regulatory adjustment in line with UK CRR article 42. Further information is included in note 15 to the consolidated financial statements.
2. A temporary adjustment to mitigate the impact of volatility in central government debt on capital ratios, in line with the Covid-19 banking package. This temporary relief was no longer applicable from 1 January 2023.

3. In accordance with UK CRR article 33, institutions do not include the fair value reserves related to gains or losses on cash flow and other hedges of financial instruments that are not valued at fair value.
4. Foreseeable distributions in respect of CCDS and AT1 securities are deducted from CET1 capital under UK CRD V rules.
5. A prudent valuation adjustment (PVA) is applied in respect of fair valued instruments as required under regulatory capital rules.
6. Own credit and debit valuation adjustments are applied to remove balance sheet gains or losses of fair valued liabilities and derivatives that result from changes in own credit standing and risk, as per UK CRD V rules.
7. Intangible, goodwill and defined benefit pension fund assets are deducted from capital resources after netting associated deferred tax liabilities.
8. Where capital expected loss exceeds accounting provisions, the excess balance is removed from CET1 capital, gross of tax. In contrast, where provisions exceed capital expected loss, the excess amount is added to Tier 2 capital, gross of tax. This calculation is not performed for equity exposures, in line with Article 159 of UK CRR. The expected loss amounts for equity exposures are deducted from CET1 capital, gross of tax
9. The IFRS 9 transitional adjustments to capital resources apply scaled relief until 4 April 2023 due to the impact of the introduction of IFRS 9; the period for these adjustments was extended by the PRA for a further two years due to anticipated increases in expected credit losses as a result of the Covid-19 pandemic.
10. Where relevant provisions do not sufficiently cover non-performing exposures, the shortfall is deducted from CET1 capital, in line with Article 47c of the UK CRR.
11. Subordinated debt includes fair value adjustments relating to changes in market interest rates, adjustments for unamortised premiums and discounts that are included in the consolidated balance sheet, and any amortisation of the capital value of Tier 2 instruments required by regulatory rules for instruments with fewer than five years to maturity

Our key capital measures are summarized in the table below:

	As at April 4,		
	2023	**2022**	**2021**
	(£ million, except percentages)		
Solvency ratios			
CET1 ratio	26.5%	24.1%	36.4%
Total Tier 1 ratio	29.1%	26.6%	40.5%
Total regulatory capital ratio	32.7%	31.8%	49.1%
Leverage			
UK leverage Exposure[(1)]	£249,299	£255,407	£248,402
Total Tier 1 capital	£15,069	£13,807	£13,343
Leverage ratio	6.0%	5.4%	5.4%

Notes:

(1) The UK leverage ratio is calculated using the Capital Requirements Regulation (CRR) definition of Tier 1 for the capital amount and the Delegated Act definition of the exposure measure, excluding eligible central bank reserves.

Risk-based capital ratios has remained in excess of regulatory requirements with the CET1 ratio of 26.5% (April 4, 2022: 24.1%) above Nationwide's CET1 capital requirement of 11.5%. This includes a minimum CET1 capital requirement of 7.0% (Pillar 1 and Pillar 2A) and the UK CRD V combined buffer requirements of 4.5% of RWAs.

The CET1 ratio increased to 26.5% (2022: 24.1%) as a result of an increase in CET1 capital of £1.3 billion, in conjunction with a reduction in RWAs of 0.1 billion. The CET1 capital resource increase was driven

by £1.7 billion profit after tax, partially offset by £0.2 billion of capital distributions, a £0.1 billion CET1 deduction following the repurchase of CCDS in February 2023, and a £0.1 billion reduction in the FVOCI reserve. RWAs reduced, with an increase in residential mortgage lending being more than offset by a reduction in off-balance sheet commitments.

On December 23, 2020, EU Regulation 2020/2176 came into force, removing the deduction of certain intangible assets from CET1 resources. The PRA indicated in CP5/21 "Implementation of Basel standards" that they found no credible evidence that software assets would absorb losses effectively in a stress. Subsequently, as part of PS17/21, they confirmed the reversal of this amendment from January 1, 2022 which increased deductible intangible assets thus reducing CET1 capital by £0.5 billion as above.

RWAs increased significantly primarily as a result of regulatory changes in force from January 1, 2022 notably policy statements impacting the calibration of IRB models leading to an update of SS11/13. These included PS11/20 "Probability of Default and Loss given default estimation," PS13/17 "Residential mortgage risk weights," PS16/21 "Internal Ratings Based UK mortgage risk weights" and PS23/21 "The identification of the nature, severity, and duration of an economic downturn for the purposes of IRB models." The RWA increase was expected and the CET1 ratio annual movement aligns to the one third reduction outlined in the 2021 Annual Report and Accounts.

In line with the prior year, a model adjustment continues to be included within RWAs to ensure outcomes are consistent with the revised IRB regulations in force from January 1, 2022. The impact of this is a £21.4 billion (2022: £21.8 billion) increase in risk weighted assets, predominantly in relation to retail mortgages. In line with other industry participants, Nationwide continues to engage with the PRA regarding approval and implementation timings.

On February 12, 2021, the PRA published CP5/21 "Implementation of Basel standards." The purpose of the rules was to implement the remaining Basel international standards. The consultation paper included a revised standardized approach to counterparty credit risk (SA-CCR) and the revised Basel framework for exposures to central counterparties (CCPs) amongst other changes. On July 22, 2021, the PRA published PS17/21 confirming the changes set out in CP5/21, which took effect on January 1, 2022. The changes did not materially impact capital requirements.

UK CRD V requires firms to calculate a leverage ratio, which is non-risked based, to supplement risk-based capital requirements. The leverage ratio was equal to 6.0% (April 4, 2022: 5.4%), with Tier 1 capital increasing by £1.3 billion as a result of the CET1 capital movements outlined above. In addition, there was a decrease in leverage exposure of £6.1 billion driven by the same movements as described above for RWAs. This position remains in excess of our leverage capital requirement of 4.0%, which comprises a minimum Tier 1 capital requirement of 3.25% and buffer requirements of 0.75%. The buffer requirement reflects a 0.4% countercyclical leverage ratio buffer in-force from December 13, 2022, which will increase to 0.7% in July 2023.

On October 8, 2021, as part of its policy statement PS21/21, the PRA confirmed its intention to simplify the leverage framework by applying a single Leverage Exposure Measure (LEM) for all purposes from January 1, 2022. This measure aligned to the previous UK leverage exposure definition, which excludes central bank claims.

Leverage requirements continue to be Nationwide's binding Tier 1 capital constraint, as they are in excess of risk-based and regulatory buffer requirements, despite the significant increase in RWAs following IRB model adjustments. This is also expected to remain following Basel III reforms on risk-based capital requirements in 2025. Our internal assessment, however, is still subject to PRA IRB mortgage model approval and the forthcoming PRA consultation on the Basel III reforms. The expected impact of the reforms on Nationwide's leverage ratio is negligible. The risk of excessive leverage is managed through regular monitoring and reporting of the leverage ratio, which forms part of risk appetite.

	As at April 4,		
	2023	2022	2021
Credit risk [(1)]			
Retail mortgages	34,609	34,935	14,523
Retail unsecured lending	5,145	4,694	5,503
Commercial loans	1,883	2,272	2,671
Treasury	1,559	1,865	1,588
Counterparty credit risk[(3)]	989	1,052	1,491
Other[(4)]	1,715	1,798	2,365
Total credit risk	**45,900**	**46,616**	**28,141**
Operational risk [(2)]	5,831	5,207	4,829
Total risk weighted assets (RWAs)	**51,731**	**51,823**	**32,970**

Notes:

(1). This column includes credit risk exposures, securitizations, counterparty credit risk exposures and exposures below the thresholds for deduction that are subject to a 250% risk weight.

(2). RWAs have been allocated according to the business lines within the standardized approach to operational risk, as per article 317 of CRR.

(3). Counterparty credit risk relates to derivative financial instruments, securities financing transactions and exposures to central counterparties.

(4). Other relates to equity, fixed and other assets.

For further information and analysis of our capital resources, see "*Capitalization and Indebtedness*."

Short-Term Borrowings

Our short-term borrowings fluctuate considerably depending on our current operating needs. The terms of our short-term borrowings are less than one year.

Investments

Our principal investments are targeted at three distinct areas: meeting regulatory and mandatory requirements; ensuring that technology and property infrastructure is resilient and secure; and, providing strategic investment. The strength of our business means we are well placed to invest confidently in our future. We will develop new propositions, further enhance our service, simplify our operations and build new skills for the future.

The key drivers for recent strategic activity are to ensure that the customer product offerings remain relevant and efficient across all distribution channels with a particular focus on digital technologies. Significant investment has been made on our mobile and tablet applications and the underlying infrastructure to support these as well as enabling real time online opening of savings products. Looking forward, there is a commitment to the roll out of an innovative new branch design, the digitization and simplification of customer journeys across main

product lines of banking, savings and mortgages and investment in data and analytics. We are also developing our response to Open Banking regulation and the opportunities this creates.

FSCS

In common with other financial institutions subject to the FSCS, we continue to have a potential exposure to future levies resulting from the failure of other financial institutions and consequential claims which arise against the FSCS as a result of such failure.

Bank Levy

Bank levy requirements were introduced in the UK in July 2011. The levy applies to UK banking groups, building societies and the operations of non-UK banks in the UK and is based on the chargeable equity and liabilities at the balance sheet date. An allowance is given against the first £20 billion of chargeable equity and liabilities, meaning that smaller institutions are effectively exempted from the levy. Non-chargeable equity and liabilities include Tier 1 capital, insured retail deposits, repos secured on sovereign debt, retirement benefit obligations and tax liabilities. Additionally, certain high quality liquid assets on the balance sheet are eligible to reduce the amount of equity and liabilities subject to the levy. From January 1, 2016, the Government has been implementing a gradual reduction in bank levy rates combined with the introduction of a corporation tax surcharge (at 8% for the year ended April 4, 2023 and 3% thereafter) on the taxable profits of banking companies and building societies within the charge to corporation tax. The bank levy charge for the year ended April 4, 2023 was £20 million (April 4, 2022: £16 million).

Contractual Commitments

For details of the amounts of certain of our financial and other contractual liabilities and when payments are due, without taking into account customer deposits, deposits by other financial institutions and debt securities in issue and derivative financial instruments, please see notes 28 and 29 to our audited consolidated financial statements as at and for the year ended April 4, 2023 incorporated by reference herein.

Off-Balance Sheet Arrangements

For a description of off-balance sheet commitment items under IFRS, please see note 29 to our audited consolidated financial statements as at and for the year ended April 4, 2023 incorporated by reference herein.

Critical Accounting Policies

For details on our critical accounting policies under IFRS, please see note 2 to our audited consolidated financial statements as at and for the year ended April 4, 2023 incorporated by reference herein.

DESCRIPTION OF BUSINESS

OVERVIEW

We are the largest building society in the United Kingdom in terms of total assets, with £271.9 billion of assets as at April 4, 2023. We have approximately 606 branches and over 16 million customers. Our core business is providing personal banking products and services, which is mainly residential mortgage loans, retail savings and personal current accounts. We also offer a broader range of financial services that complement our core products of mortgages, savings and current accounts. In addition, we maintain a portfolio of debt securities for our own account for liquidity management purposes.

We are currently the second largest provider of residential mortgages in the United Kingdom, with an estimated market share of 12.2% (according to Bank of England data), as at March 31, 2023. We also have an estimated 9.6% market share of household deposit balances (as calculated by us based on Bank of England data), as at March 31, 2023.

As a mutual organization, we are owned by, and managed for, the benefit of our members, who are our customers who have their current account, mortgage or savings with us. Our main focus is serving our members' interests, and we balance our need to retain sufficient profit to remain financially strong, with delivering value in banking and rewarding members, and investing in product and service propositions that meet the needs of existing and future customers.

We benchmark our products and performance against a group of leading retail banks operating in the UK (Barclays, Halifax, HSBC, Lloyds Bank, NatWest, Santander UK and TSB) and seek to return value to our members by offering typically better product pricing on savings and mortgages than is offered by this peer group. In addition to returning value to members through our competitive products, we believe that we provide better service to our customers than that offered by most of our competitors and this is a key component of our strategy.

STRATEGY

In 2022/23, Nationwide approved a new strategy and business purpose. Our new approach is centered around our purpose – *Banking – but fairer, more rewarding, and for the good of society*. Our purpose-led strategy ensures we do business in a way that positively impacts our customers, communities and society as a whole. Our new strategy is underpinned by four strategic drivers:

- More rewarding relationships – creating deeper, lifelong relationships with our customers that provide the best value in banking
- Simply brilliant service – service that stands out for ease, accessibility, security and trust at every touch point
- Beacon for mutual good – having a meaningful impact across customers, communities and society, by driving fairer banking practices and positive change
- Continuous improvement – ensuring our financial strength through efficient and effective processes and risk management

Following our strategy refresh, we have updated our key performance indicators for 2023/24 to more effectively support the delivery of our strategy. More detail on our strategic drivers, and their underpinning key performance indicators is provided below.

More rewarding relationships

We aim to create deeper, lifelong relationships with our customers, that provide the best value in UK banking. Our mutual model is intrinsically more rewarding than our banking peers, as we deliver value to our customers, rather than paying dividends to shareholders. We will increase value and reward loyalty for those customers who do more with us, including through targeted and competitive mortgage, savings and current account products. And we will continue to focus on helping first time buyers into homes.

In 2023/24, we will measure our success through the number of engaged members we have; those where a customer has a main personal current account with us, plus either a savings balance of at least £100 or a mortgage of at least £100.

Our financial strength has enabled us to introduce the Nationwide Fairer Share Payment, which rewards our members who have the deepest banking relationships with us, and the Nationwide Fairer Share Bond, with an interest rate exclusive to members. It is a clear and positive way of demonstrating our mutual difference and aligns with our purpose.

As a mutual, we also create value for our customers through better pricing and incentives. Over the year, we launched a number of standout savings products that rewarded loyalty and supported our success. On average, we offered interest rates on deposits (savings and current accounts) that were 65% higher than the market average, largely driven by our savings rates. Our competitive deposit rates contributed over 70% of our total member financial benefit of £1,055 million (2022: £325 million).

Simply brilliant service

The value we provide will be beyond rates, with distinctive, personalised service that stands out for ease, accessibility, security and trust, at every touchpoint. We will differentiate our mobile banking experience and combine this with modern branches that offer personal support when customers need it most.

In 2023/24, we will measure our success through our customer experience score. This is based on the feedback customers provide when they complete our survey after they interact with us, across our branches, telephone and digital channels.

As a mutual, supporting our customers through cost of living pressures has been, and will remain, a priority. We invested £100 million in cost of living support and supermarket shopping cashback, where customers earned 5% cashback on their Nationwide debit card purchases at a wide range of supermarkets and convenience stores, from February until April 2023 (up to £10 per month). It also included cost of living payments for colleagues, our cost of living customer helpline (which had handled over 4,000 calls as at April 4, 2023) and our financial health checks in branches.

We are improving our mobile banking experience and continue to invest in our core digital services. This year, we extended the operating hours of our in-app and online chat, which is now available 24 hours a day, every day of the year. We currently support around 200,000 conversations a month through this channel.

Our customers rely on our branches and sometimes prefer to speak to us face to face. We extended our Branch Promise and will keep a branch in every town or city we are in today until at least 2024 – another example of the difference that being a mutual makes. With around 606 branches, we now have the second largest single-brand branch network across the UK financial services sector and, at the 2023 Moneyfacts Consumer Awards, we won the Branch Network of the Year award.

Beacon for mutual good

As we go about our business, we want to be recognised as a beacon for mutual good. We want to be famous for the meaningful impact we have across customers, communities and society as a whole. We will use our voice to drive positive change and fairer banking practices and support charitable activities that align with our purpose and ambitions. The power of mutuality means we can do more together than we could each do alone.

In 2023/24, we will measure our success through our Heard good things about Nationwide measure. This reflects the proportion of consumers who have heard good things about Nationwide, ranked against peer brands as part of our brand tracking survey.

In addition, our current Mutual Good Commitments support our Beacon for Mutual Good strategic driver. They seek to positively impact our customers, communities and wider society. Our Mutual Good Commitments are to:

- Help to achieve safe and secure homes for all
- Protect our customers' financial wellbeing
- Support progress towards a greener society
- Champion thriving communities
- Reflect the diversity of our society

As voted for by our members in 2007, we commit at least 1% of our pre-tax profits each year to charitable activities[2], largely focused on housing. This money is split between our own social investment programmes, including funding our long-term partnership with Shelter, the Nationwide Foundation (an independent charity set up by the Society in 1997) and the internal costs of managing our social investment agenda. In 2022/23, this amounted to £9.6 million (2022: £7.1 million). In addition, we donated a further £1 million to our debt partners and charities to help them support more people through the cost of living pressures.

Within our social investment programmes, we provide grants to local housing charities and projects across the UK. As part of our £9.6 million commitment, we awarded £4.3 million (2022: £4.0 million) to support 96 (2022: 94) charitable housing projects through our Community Boards. We have therefore met our five-year target to donate £22 million in community grants, that we set when the Community Boards were founded. Over 540 projects have benefited and 118,000 people in housing need have been supported.

We are also playing our part to address the impact of climate change and support the UK in its progress towards a net-zero carbon emissions future by 2050. More on this can be found in the "*Climate Change*" section of this Base Prospectus.

Continuous improvement

We will be focused, fit and fast and simplify our processes and ways of working so that we deliver at pace, for the benefit of our customers, while retaining resilient controls that protect our customers and their money.

In 2023/24, we will continue to use our leverage ratio as our measure to demonstrate our financial strength, as we progress the delivery of our refreshed strategy. Our financial strength means we can invest in meeting customers' needs and expectations now, and into the future.

We are investing in digital capability and innovation, including improving our IT platforms and simplifying processes. We have improved our processes for customers opening new savings and current accounts, and we are modernising our payments systems by moving them to a secure, cloud-based platform. This will result in a more resilient service, capable of making a higher volume of payments safely, quickly and securely. We have also strengthened our fraud detection system for payments. In addition, we are exploring the latest developments in artificial intelligence, which could improve our in-app and online chat capabilities, and enable our colleagues to access information more efficiently. We are mindful that any future implementation of artificial intelligence would need to be done ethically and responsibly, in a way that recognises vulnerability, and focuses on good customer outcomes.

[2] The 1% is calculated based on average pre-tax profits over the previous three years.

We are simplifying organisational structures and strengthening controls. This is reducing complexity, improving decision making and helping us to deliver more value at pace. Our committee structures have been updated to provide a clearer focus on risks and controls, operational resilience, service availability, managing conduct risks and closer oversight of our most important strategic projects. We continue to transform and strengthen our risk and control processes, with simpler and clearer Board and management risk metrics, and improvements to material controls and processes, particularly customer facing ones. These changes mean we can respond to customers' needs more quickly and keep our customers safer from economic crime.

We are also improving the quality and use of data across the Society. This includes developing data to identify what matters most to our customers, and how their experiences can be improved. For colleagues, better data will help them to work more effectively and inform decision making. In addition, we plan to improve the data that helps the Society run in a controlled and safe manner, covering technology, change programmes, suppliers, property, and our controls.

Furthermore, we are strengthening performance management, to improve the core capabilities and skills needed to deliver our business strategy and modern mutual purpose.

Climate change

Nationwide is committed to a net-zero future. It is our aspiration to support the UK in achieving its ambition to be net-zero by 2050. This aspiration is embedded into our strategy; supported by our Mutual Good Commitment to support progress towards a greener society. Our green ambitions also demonstrate how our business aligns to, and supports, the UN Sustainable Development Goals ("**SDGs**").

In 2021, we became a member of the Net-Zero Banking Alliance ("**NZBA**") and part of the Glasgow Financial Alliance for Net Zero ("**GFANZ**"), committing to playing our part in supporting the transition to a net-zero (to achieve an overall balance between greenhouse gas ("**GHG**") emissions produced and taken out of the atmosphere) economy. We have set highly challenging intermediate (by 2030) science-based targets, which align with our ambition to support the UK in achieving net-zero by 2050. However, with around 16%[3] of the UK's carbon emissions coming from homes, and many of the homes being built today not meeting the highest energy efficiency standards, we acknowledge that our science-based targets are particularly challenging for residential mortgages, and it is highly unlikely that, at present, we will achieve the reductions in emissions required to align to our target. Achieving the reduction in emissions to deliver net-zero will require a significant cross-industry collaborative effort, and large-scale government action.

We have set our intermediate (by 2030) science-based targets in accordance with the methodologies of the Science-based Target Initiative ("**SBTi**"). The SBTi provides the industry standards for the setting of science-based targets. We are developing a net-zero aligned transition plan to help track against Nationwide's net-zero ambition and intermediate (by 2030) science-based targets over the short-to-medium term.

Climate change presents a risk to Nationwide and its customers, and so managing the risk from climate change and supporting progress towards a greener society is core to us being a responsible business. We continue to focus on further embedding and improving our climate-related risk management capabilities, whilst enhancing our understanding of climate change and the impacts it has on the Society and its customers. Since 2019, Nationwide has been enhancing and embedding its capabilities to monitor and manage climate-related risk and meet the requirements of PRA's Supervisory Statement 3/19 (SS3/19 - *Enhancing banks' and insurers' approaches to managing the financial risks from climate change*). Whilst we continue to meet the requirements of SS3/19, we recognise that capability and industry practice will continue to advance, and we intend to build on our capabilities and enhance our understanding of the impacts of climate change.

Due to its nature, climate change has implications across our entire Enterprise Risk Management Framework ("**ERMF**"). Climate change has been embedded as a cause to our principal risks. Consideration as a cause ensures appropriate identification, monitoring, and management across all principal risk categories, along

[3] 2021 UK Greenhouse Gas Emissions, Final Figures (publishing.service.gov.uk)

with full traceability. We consider climate-related risk to manifest across two main causes, physical and transition risk:

- **Physical risk** – the risks arising from the increasing severity and frequency of weather-related events such as flooding (acute), or longer-term shifts in climate (chronic).
- **Transition risk** – the risks which could result from the process of adjustment towards a lower carbon economy such as through developments in policy and regulation, emergence of disruptive technology or business models, shifting societal preferences, or evolving legal interpretations.

We continue to adopt the following climate-related risk appetite statement: "We are committed to working towards alignment to a net-zero emissions pathway to 2050. We will seek to minimise the impact of physical and transition climate risk on Nationwide and our customers".

We conduct physical risk assessments on properties we lend on at the point of mortgage origination, in line with our lending criteria. This allows different methods of valuation (the automated valuation model, desktop full physical) to be mandated, and informs whether the property is fit for mortgageable purposes and the property's current value.

We use EPC data to inform our transition risk assessment and the application of lending policy. An EPC is required every time a property is built, sold or rented, and is valid for 10 years; therefore, just over half of our mortgage properties have a current EPC. We have developed an internal model to forecast the EPC ratings of properties within our mortgage portfolio, based on a property's unique characteristics and that of similar properties, for those properties which do not have a valid EPC. We continue to monitor the EPC composition of our mortgage book, including the proportion that has an EPC of C or better, using our EPC model to interpolate EPCs across our portfolio. As at December 30, 2022 around 38% of the homes in our mortgage portfolio were rated EPC C or above.

We have been carbon neutral[4] for our scope 1 (direct emissions from owned sources, such as emissions from burning gas to heat our buildings) and scope 2 (indirect emissions from the generation and consumption of purchased electricity, such as the electricity bought by us to power our branches) emissions since April 2020. We have also disclosed our scope 3 (other indirect emissions that occur in our value chain) emissions associated with our mortgage lending, lending to commercial real estate, lending to registered social landlords, and the majority of our upstream (supply chain) emissions, in line with the Partnership for Carbon Accounting Financials' methodology.

Our emissions are detailed in our climate-related financial disclosures and are aligned to the recommendations of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures ("**TCFD**") and its objective to improve and increase the reporting of climate-related financial information. We have been, and remain, an official supporter of the TCFD since 2019.

Since 2018, we have sourced 100% renewable electricity, and are committed to continuing to do so. As at the end of 2022, we had removed the use of gas from over 75% of our branch network and are on track to remove 100% of gas from our branches by 2030, replacing it with electrical solutions.

We have been offering green finance since 2020, to enable our customers to make their homes more energy efficient. We offer our customers, and The Mortgage Works ("**TMW**") customers, preferential rate additional borrowing to support green home improvements (through our Green Additional Borrowing and Green Further Advance products), as well as incentivising the purchase of more energy efficient properties (through our Green Reward mortgage which offers cashback to customers purchasing a home rated EPC A or high B).

[4] Carbon neutral refers to no net release of carbon dioxide into the atmosphere, achieved by removing or eliminating emissions, or through funding equivalent carbon savings through renewable or offsetting projects.

In June 2023, we launched a 0% Green Additional Borrowing product. This proposition offers 5,000 existing owner-occupier mortgage customers the opportunity to borrow between £5,000 and £15,000, at up to a maximum 90% LTV across 2 and 5-year terms, to finance a range of retrofit home improvements. All of the loan must be used to fund non-structural, energy-efficient home improvements, such as solar panels and air source heat pumps. It is our aim to understand if this product increases customer take-up to make green home improvements.

We recognize that we alone cannot improve the energy efficiency of UK homes, which is why we continue to engage and work with policymakers, to encourage the development of green policies which support wider society, in making the changes needed to achieve a just transition to net-zero. Our cross-industry Green Homes action group continues to campaign for a National Retrofit Strategy to support greening homes.

HISTORY AND DEVELOPMENT OF THE SOCIETY

Building societies have existed in the United Kingdom for over 200 years. From the outset, they were community-based, cooperative organizations created to help people purchase homes. The main characteristic of building societies is their mutual status, meaning that they are owned by their members, who historically were primarily retail savings and residential mortgage customers. Our origins date back to the Southern Co-operative Permanent Building Society founded in London in 1884. Over time, this entity has merged with around 250 other building societies to create today's Nationwide Building Society.

We formally changed our name to Nationwide in 1970 as it more accurately reflected our wider sphere of business and removed any misconception that we were legally part of the Co-operative Group. During the 1970s and 1980s we grew our branch network to increase our reach and introduced new products such as current accounts which allowed us to offer the full range of financial services to members. The 1990s saw a dramatic decline in number of building societies in the UK as many demutualized and transferred their businesses to existing or specially formed banks. This meant that by 1997, Nationwide emerged as the biggest building society in the UK. We believe that our mutual status allows us to compete successfully with banks, and it is our long-held strategy to remain a building society.

In the late 1990s there were two attempts by new members to force Nationwide to demutualize so they could receive associated windfall distributions. We successfully defended our mutual status and from 1997 all new members opening accounts are required to assign to charity any windfall benefits that may accrue as a result of a future demutualization. This has significantly lessened the incentive to vote for demutualization and there have been no further attempts to force a vote on the issue.

During the financial crisis of 2007-9, our business model stood up well in comparison to our banking competitors who were much more exposed to the contagion of the crisis. We merged with Portman Building Society in August 2007 and with Cheshire Building Society and Derbyshire Building Society in December 2008. In March and June 2009, we also acquired selected assets and liabilities of Dunfermline Building Society. We believe these developments have added value, improved our distribution footprint, helped to grow the membership and are a testament to our strength and our ability to provide support to other building societies during this time.

The merger with the Portman Building Society brought with it The Mortgage Works – a subsidiary which focused on specialized lending with a strong focus on the Buy-to-Let market. This has since emerged as the leading player in this market in the UK and a strong generator of profit for Nationwide.

In 2023 we refreshed our strategy centered around our purpose – *Banking – but fairer, more rewarding, and for the good of society*. Our purpose-led strategy ensures we do business in a way that positively impacts our customers, communities and society as a whole.

GROUP STRUCTURE AND PRINCIPAL SUBSIDIARIES

We are the principal holding entity of the Group and the main business of the Group is conducted by the Society. Our interests in our principal subsidiary undertakings, all of which are consolidated, as at April 4, 2023 are set out below:

100% held subsidiary undertakings	Nature of business
Nationwide Syndications Limited	Syndicated lending
The Mortgage Works (UK) plc	Centralized mortgage lender
Derbyshire Home Loans Limited	Centralized mortgage lender
E-Mex Home Funding Limited	Centralized mortgage lender
UCB Home Loans Corporation Limited	Centralized mortgage lender

All the above subsidiary undertakings are limited liability companies which are registered in England and Wales and operate in the UK and, with the exception of Nationwide Syndications Limited, they are all regulated entities.

Nationwide Syndications Limited is a wholly owned mortgage lender specializing in syndicated commercial loans to RSL. Nationwide Syndications Limited has ceased to offer new lending.

TMW is a wholly owned centralized mortgage lending subsidiary, specializing mainly in residential BTL lending to individuals.

Each of Derbyshire Home Loans Limited, E-Mex Home Funding Limited ("**E-Mex**") and UCB Home Loans Corporation Limited ("**UCB**") is a wholly owned subsidiary that has ceased to offer new lending.

We also have interests in structured entities. A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are consolidated when the substance of the relationship indicates control.

The table below provides details of these entities as at April 4, 2023.

Group undertaking	Nature of business	Country of registration	Country of operation
Nationwide Covered Bonds LLP	Mortgage acquisition and guarantor of covered bonds	England and Wales	UK
Silverstone Master Issuer plc	Funding vehicle	England and Wales	UK
Silverstone Funding No. 1 Limited	Funding vehicle	England and Wales	UK

BUSINESS OF THE SOCIETY

Retail business

Our retail business aims to offer its customers a full range of personal financial services products comprising residential mortgage lending, a range of savings products as well as investments and general insurance solutions, both directly and through intermediary sales channels.

Residential mortgage lending

The vast majority of our lending portfolio consists of UK residential mortgage loans to individuals. These loans are secured on the residential property of the borrower on terms which allow for repossession and sale of the property if the borrower breaks the terms and conditions of the loan. This lending can take the form of either prime residential lending (where the borrower is the owner and occupier of the mortgaged property and meets our credit requirements for prime lending) or BTL and legacy residential lending (which are loans advanced to borrowers who intend to let the mortgage property). Our policy is for all residential mortgage loans to individuals to be fully secured first priority loans on the mortgaged property, to ensure that our claim to the property, in the event of default, is senior to those of other potential creditors. As a result, our residential mortgage lending to individuals carries lower risk than many other types of lending.

As at April 4, 2023, we were the second largest mortgage lender in the United Kingdom (as measured by total loans outstanding and calculated by us based on Bank of England data and publicly available financial

information). Our residential mortgages are generally for terms of 20 to 30 years. While many customers remain with us for much or all of this term, some customers redeem their mortgage earlier than this in order to remortgage to another lender or for other reasons. The minimum life of a mortgage is usually between two and five years, depending on the terms of the customer's initial product, although we generally retain approximately 70 to 80% of customers when they reach the end of a product.

The table below shows a breakdown of our prime, BTL and legacy residential mortgage lending outstanding balances as at April 4, 2023.

	As at April 4, 2023
	(*£ billions*)
Prime	157.5
BTL and legacy[(1)]	44.1
Total	201.6

Note:

(1) This category of lending was previously referred to as specialist lending.

Source: Nationwide Building Society – audited financial statements for the year ended April 4, 2023.

We offer BTL and legacy UK residential mortgage lending to individuals, comprising lending to private landlords (BTL) and smaller portfolios in run-off (legacy). As at April 4, 2023, our outstanding BTL and legacy UK residential mortgage lending to individuals was £44.1 billion. The BTL and legacy residential mortgage balance is made up of advances made through our specialist lending brands, including TMW. Our outstanding legacy lending loans were advanced primarily in the BTL and self-certification markets. New lending in this category is restricted to BTL through TMW with us having withdrawn from the self-certified lending market in 2009.

Our BTL and legacy mortgages continue to perform well with cases three months or more in arrears representing only 0.44% of the total mortgage book as at April 4, 2023. Arrears levels are expected to increase as a result of the rising cost of living, including higher mortgage payments, but to remain low relative to the industry average.

We have a national franchise within the United Kingdom, with a regional distribution of UK residential mortgage lending to individuals generally matching the regional gross domestic product distribution in the United Kingdom.

We offer fixed rate and tracker rate mortgages. These products establish a set rate or set methodology for determining a variable rate for a set term, after which the rate reverts to one of our two general variable rates. Our fixed-rate products currently offer a term of two, three, four, five or ten years, but we have from time to time offered longer fixed terms, including 25 years. Our tracker rate products bear interest during the set term (currently two or three years) at a variable rate that is a fixed percentage above the Bank Rate. After the end of the set fixed rate or tracker period, the interest rate reverts to either our BMR (if the mortgage was originated on or before April 29, 2009) or our SMR (if the mortgage was originated on or after April 30, 2009). Both the BMR and the SMR are variable rates set at our discretion, except that the BMR is guaranteed not to be more than 2% above the Bank Rate.

To reduce the costs associated with early repayment of mortgages and to recover a portion of the costs of mortgage incentives, we impose early repayment charges on some products. The early repayment charges generally apply for repayment made prior to the expiration of the fixed or tracker rate for the particular product.

Total gross mortgage lending was lower than in the prior year at £33.6 billion (2022: £36.5 billion) and our market share of gross advances decreased to 10.8% (2022: 11.8%). Net lending in the year was supported by our continued focus on retention through highly competitive products provided to existing members, whilst also continuing to focus on first time buyers. Prime mortgage balances increased to £157.6 billion (2022: £154.4 billion) and buy to let and legacy mortgage balances increased to £44.1 billion (2022: £43.7 billion).

The average LTV of prime new business completed in the period has remained stable at 70% (April 4, 2022: 71%). The average LTV of new business for buy to let has remained stable at 66% (April 4, 2022: 67%).

House prices measured through the Nationwide House Price Index have declined over the past 12 months by 3.1% (2022: increase of 14.3%). This has caused Group average stock LTV to increase to 55% (2022: 52%). We believe that asset quality has remained strong as a result of our continued prudent approach to lending. The proportion of mortgage accounts three months or more in arrears has decreased to 0.32% as at April 4, 2023, which compares favorably with the UK Finance average of 0.71% as at the same date.

The table below shows our residential mortgage loans which are three months or more in arrears as a percentage of its total residential mortgage loans as at April 4, 2023, 2022 and 2021 and the UK Finance average.

	As at April 4,		
	2023	**2022**	**2021**
	(percentages)		
Prime	0.29	0.30	0.35
BTL and legacy	0.44	0.50	0.72
Total	**0.32**	**0.34**	**0.43**
UK Finance average	0.71	0.83	0.85

Source: Audited financial statements for the years ended April 4, 2023, 2022 and 2021.

In line with regulatory guidance, the arrears figures above do not take into account payment holidays that we afforded to our borrowing members in the context of the Covid-19 pandemic. This approach has suppressed the impact of the pandemic on arrears data and will continue to do so in the short term. We continue to monitor developments and updated regulatory guidance on the assessment of payment holidays and other forbearance measures in this context.

We utilize an automated credit scoring system to assist in minimizing credit risk on residential mortgage lending. Our credit procedures for residential mortgage lending take into account the applicant's credit history, loan-to-value criteria, income multiples and an affordability calculation, or shock test, that tests the applicant's ability to service the loan at higher interest rates. For additional information regarding how we manage credit risk in connection with new lending, see "*Financial Risk Management—Credit risk*."

We focus our residential mortgage sales efforts on first-time buyers, subsequent purchasers moving home and the remortgage market. We are particularly keen to support our existing members and have introduced products to support first-time buyers. First-time buyers offer a significant potential for additional sources of income through the distribution of insurance and personal investment products. The proportion of new lending to first time buyers remained stable at 29% during the year ended April 4, 2023 (year ended April 4, 2022: 29%).

In addition to residential mortgage loans, we offer further secured advances on existing mortgaged property to customers consistent with our lending criteria for new residential mortgage loans.

Unsecured retail banking products consists of loans that we make to individuals that are not secured on real or personal property. We offer three different forms of unsecured consumer retail banking products: personal unsecured loans, credit card lending and current accounts with overdraft facilities.

There is a greater risk of loss on unsecured consumer lending than there is on residential mortgage lending because we have no security if the borrower defaults on the loan. Accordingly, unsecured consumer lending products bear higher interest rates than our residential mortgage products. To manage this risk, we use an automated credit scoring system that is designed to evaluate a borrower's ability to repay the loan. In addition, we assess all unsecured consumer loans to ensure they remain affordable alongside any mortgage.

Savings and Current accounts

Member deposit balance growth of £9.1 billion to £187.1billion (April 4, 2022: £178.0 billion) represents increases in savings balances following the launch of competitive new products.

Current account balance growth was driven by strong new account openings as a result of switching incentives and increasing the credit interest rate payable on the Flex Direct current account to 5% on balances up to £1,500. Operating in a dynamic savings market, balance growth has been supported by competitive fixed rate products and our Triple Access Online Saver. Our market share of deposit balances increased to 9.6% as of April 4, 2023, a 0.2% increase from 9.4% as at April 4, 2022.

We provide a wide range of retail savings products that may be repayable on demand or on notice and which may pay a variable or fixed rate of interest. On most retail savings products, we determine variable interest rates at our discretion according to market conditions. Generally, the more restrictions on withdrawal of retail savings, the higher the rate of interest. Balances on all of our notice deposit accounts are, by their terms, withdrawable on demand but, in some cases, subject to loss of interest.

We believe that the primary determinant for attracting retail savings is the interest rate offered to savers. As a mutual organization, we typically set higher interest rates on our retail savings products than those set by our main competitors. We gather UK retail member deposits from a number of sources, chiefly from our branch network but also by mail and internet-based deposit accounts.

The UK retail savings market is highly competitive among building societies and banks, including those banks owned by insurance companies and retailers. This competition has increased the relative cost of retail funds, especially new retail funds.

Our retail business also manages a range of business savings accounts that are offered to UK-domiciled small- and medium-sized enterprises, including companies, housing associations, charities and educational organizations. We provide a wide range of savings products that may be repayable on demand or on notice and which may pay a variable or fixed rate of interest. On all business savings products, we determine variable interest rates at our discretion according to market conditions. Generally, the more restrictions on withdrawal of business savings, the higher the rate of interest.

Consumer Banking

Consumer banking balances have decreased to £4.4 billion (April 4, 2022: £4.6 billion). Consumer banking comprises personal loan balances of £2.6 billion (April 4, 2022: £2.9 billion), credit card balances of £1.5 billion (April 4, 2022: £1.5 billion) and overdrawn current account balances of £0.3 billion (April 4, 2022: £0.3 billion).

Arrears performance has deteriorated slightly during the year, with balances more than three months in arrears (excluding charged off accounts) representing 1.21% (April 4, 2022: 1.13%) of the total portfolio. Provision balances were £469 million (April 4, 2022: £529 million), primarily due to revised impacts of affordability pressures on future credit performance.

Other retail services

Our other retail services principally comprise insurance business and investment business.

Insurance

In conjunction with our core business of providing residential mortgage loans and retail savings, we develop and market insurance products branded with our name that are underwritten by third-party insurers and distribute insurance products of other companies.

The insurance products that we market are:

- buildings and contents insurance, which we market to our residential mortgage customers and non-mortgage customers;
- landlord insurance;
- term income protection insurance, replacing up to 60% of gross income in case of unemployment; and
- personal accident insurance.

We typically use leading insurers as third-party underwriters for these insurance products. We receive a commission and, in some cases, participate in the profits, but not the losses, from third-party underwritten insurance products that we market. We generally market our insurance products to new and existing customers, and it is our policy to offer insurance products at competitive prices and with more comprehensive coverage than those products generally offered by our main competitors.

Distribution network

Our integrated and diversified distribution network allows our customers to choose how and when to undertake their transactions with us and has enabled us to expand our business while controlling costs. The distribution network helps us to achieve volume growth principally in residential mortgage lending and supports our retail funding activities. Developments in the network have focused on cost efficiency and meeting the needs of customers who are increasingly prepared to transact business by the internet, telephone and mail.

We distribute our products primarily through:

- branches;
- call centers;
- mail;
- internet and mobile banking; and
- intermediaries.

We also maintain a network of ATMs.

Branches

Our branch network continues to be a major source of our mortgage lending and retail funding. As at April 4, 2023, we had approximately 606 branches of Nationwide Building Society in the United Kingdom.

Our goal is to utilize our branch network efficiently. All of our branches market our residential mortgage, retail savings, personal lending, personal investment and insurance products. We continue to make significant investment in transforming our products and delivery channels through the implementation of new systems and organizational structures and to meet consumer expectations of digital banking.

Call centers

Our telephone call centers are open 24 hours a day to service customers and receive calls from potential customers that are interested in our products. In addition, we use telemarketing to supplement our mortgage, insurance and personal loan marketing.

Internet and mobile banking

We first launched an internet banking service in 1997 and have continued to update the service in line with technological advances and increasing customer expectations. Our website allows customers to transact on

their accounts and apply for a broad range of our products online. We also allow customers to access and carry out transactions on their accounts using our mobile and tablet applications.

Intermediaries

A substantial amount of our mortgage sales is introduced to us by third-party intermediaries. Intermediaries range from large UK insurance companies to small independent mortgage advisors. We remunerate intermediaries for introducing mortgage business.

ATMs

Our customers have access to our own network of ATMs, as well as access to ATMs in the United Kingdom through the LINK network and world-wide through the Visa network.

Commercial business

Our commercial portfolio comprises loans which have been provided to meet the funding requirements of registered social landlords, commercial real estate investors and project finance initiatives. As at April 4, 2023, this portfolio accounted for 3% of total loans and advances to customers. Following a strategic review of the commercial lending business, we concluded that the CRE and PFI lending is no longer a good fit with our core purpose. The strategy for CRE and PFI lending is now to hold and actively manage the portfolios to maturity in line with contractual terms.

The table below shows the amount and types of loans in the commercial lending portfolio as at April 4, 2023.

	As at April 4, 2023	
	(*£ billions*)	(*percentage of total commercial loans*)
Registered social landlords	4.1	82.0%
Commercial real estate	0.3	6.0%
Project finance	0.6	12%
Total	**5.0**	**100**

RSL loans are made to UK registered social landlords, are secured on residential property and differ significantly from other loans secured on real property. UK registered social landlords provide affordable housing supported by Government grants. This portfolio historically has carried a lower risk than our other commercial lending activities, and there are currently no arrears of three months or more in the RSL portfolio. To date, we have not needed to raise any loss provisions against this portfolio.

CRE portfolio is well diversified by industry type and by borrower, with no significant exposure to development finance.

PFI loans are secured on cash flows from Government-backed contracts such as schools, hospitals and roads under the UK private finance initiative legislation. We have not suffered any losses on this lending and there are currently no arrears of three months or more.

Head office functions

Our head office functions comprise the executive management and the treasury function together with a range of support functions such as legal and secretariat services, human resources, strategic planning and external relations, finance, risk management, property services and internal audit.

The treasury division centrally manages liquid asset portfolios as well as most of financial risk exposures and is responsible for wholesale funding activities. See the sections entitled "*Financial Risk Management*" and

"*Management's Discussion and Analysis of Financial Condition and Results of Operations*" for further details of risk management.

Recent developments

The changing economic and political landscape in the UK, and particularly the cost-of-living crisis and high inflation, has led to households being under financial pressure for some time. Since June 2022, there have been rising concerns in the UK about mortgage refinancing costs, and, for tenants, rising rents. We have, over the course of the current financial year, rolled out a number of measures to respond to these concerns. Some of the measures announced include:

- returning additional value to our members who have the deepest banking relationships with us, through our Nationwide Fairer Share Payment, and the Nationwide Fairer Share Bond, with an exclusive interest rate for members;

- investing £100 million in cost of living support and supermarket shopping cashback. This includes money invested in our 5% cashback offer on debit card expenditure in supermarkets and convenience stores from February until April 2023 (up to £10 per month), cost of living payments for colleagues, our cost of living customer helpline and our financial health checks in branches, for members experiencing financial worries;

- extending our branch promise, to remain in every town or city we are in today until at least 2024 (previously 2023) and extending the operating hours of our in-app and online chat, which is now available 24 hours a day, 365 days a year;

- launching a market leading current account switching incentive, during October and November 2022, that offered £200 cashback to those customers who switched their account to one of our three main current account products, using the Current Account Switch Service; and

- demonstrating our mutual good in the communities we serve, committing £9.6 million over the year to charitable activities and donating a further £1 million to our debt partners and charities to help them support more people through the cost of living pressures.

SELECTED STATISTICAL INFORMATION

The following information has been extracted from our management information systems. This information is unaudited. The information contained in this section should be read in conjunction with our consolidated financial statements as well as the section entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

Average Balance Sheets and Interest Rates

The tables below present, in accordance with IFRS, the average balances for our interest-earning assets and interest-bearing liabilities together with the related interest income and expense amounts, resulting in the presentation of the average yields and rates for the years ended April 4, 2023, 2022 and 2021, respectively:

	For the year ended April 4, 2023		
	Average balance[(1)]	**Interest[(2)]**	**Average yield/ rate**
	(£ million, except percentages)		
Interest-earning assets:			
Loans to credit institutions	42,364	1,005	2.37%
Investment securities & derivative financial instruments	33,588	746	2.22%
Interest on net defined benefit pension asset	-	26	-
Loans to customers	212,184	7,048	3.32%
Total average interest-earning assets	**288,136**	**8,825**	**3.06%**
Non-interest-earning assets:			
Tangible fixed assets	786		
Fair value adjustment for hedged risk	5,502		
Other assets	1,196		
Goodwill and intangible fixed assets	895		
Deferred tax assets	84		
Investment Properties	15		
Total average assets	**285,610**		
Interest-bearing liabilities:			
UK retail member deposits	182,839	1,905	1.04
Other deposits	42,688	917	2.15%
Debt securities in issue and derivative financial instruments[(2)]	35,609	1,193	3.35%
Subordinated liabilities	7,395	294	3.98%
Subscribed Capital	176	18	10.23%
Total average interest-bearing liabilities	**268,707**	**4,327**	**1.61%**
Non-interest-bearing liabilities:			
Other liabilities	58		
Fair value adjustment for hedged risk	5		
Reserves	16,381		
Current taxes	459		
Total average liabilities	285,610		

Notes:

(1) Average balances are based on the balance as of the end of each month during the financial year.

(2) For the purpose of the average balance sheet, the interest income and expense amounts are stated after allocation of interest on financial instruments entered into for hedging purposes.

	For the year ended April 4, 2022		
	Average balance[1]	**Interest[2]**	**Average yield/ rate**
	(£ million, except percentages)		
Interest-earning assets:			
Loans to credit institutions	45,602	119	0.26%
Investment securities & derivative financial instruments	28,507	108	0.38%
Interest on net defined benefit pension asset	-	4	-
Loans to customers	204,989	4,281	2.09%
Total average interest-earning assets	**279,098**	**4,512**	**1.62%**
Non-interest-earning assets:			
Tangible fixed assets	926		
Fair value adjustment for hedged risk	(259)		
Other assets	993		
Goodwill and intangible fixed assets	1,030		
Deferred tax assets	66		
Investment Properties	19		
Total average assets	**281,873**		
Interest-bearing liabilities:			
UK retail member deposits	177,041	435	0.25%
Other deposits	43,419	68	0.16%
Debt securities in issue and derivative financial instruments[2]	37,565	239	0.64%
Subordinated liabilities	7,727	200	2.59%
Subscribed Capital	221	8	3.54%
Total average interest-bearing liabilities	**265,973**	**950**	**0.36%**
Non-interest-bearing liabilities:			
Other liabilities	671		
Fair value adjustment for hedged risk	18		
Reserves	14,901		
Current taxes	309		
Total average liabilities	**281,872**		

Notes:

(1) Average balances are based on the balance as of the end of each month during the financial year.

(2) For the purpose of the average balance sheet, the interest income and expense amounts are stated after allocation of interest on financial instruments entered into for hedging purposes.

	For the year ended April 4, 2021		
	Average balance[1]	**Interest[2]**	**Average yield/ rate**
	(£ million, except percentages)		
Interest-earning assets:			
Loans to credit institutions	26,457	51	0.19%
Investment securities & derivative financial instruments	27,668	71	0.26%
Interest on net defined benefit pension asset	—	7	0.00%
Loans to customers	201,573	3,996	1.98%
Total average interest-earning assets	**255,698**	**4,124**	**1.61%**

	For the year ended April 4, 2021		
	Average balance[1]	Interest[2]	Average yield/ rate
	(£ million, except percentages)		
Non-interest-earning assets:			
Tangible fixed assets	1,096		
Fair value adjustment for hedged risk	1,718		
Other assets	792		
Goodwill and intangible fixed assets	1,166		
Deferred tax assets	59		
Total average assets	**260,529**	—	—
Interest-bearing liabilities:			
UK retail member deposits	163,201	492	0.30%
Other deposits	35,895	40	0.11%
Debt securities in issue and derivative financial instruments[2]	37,576	247	0.66%
Subordinated liabilities	8,331	194	2.33%
Subscribed Capital	251	5	1.99
Total average interest-bearing liabilities	**245,254**	**978**	**0.40%**
Non-interest-bearing liabilities:			
Other liabilities	1,222		
Fair value adjustment for hedged risk	32		
Reserves	13,830		
Current taxes	190		
Total average liabilities	**260,529**		

Notes:

(1) Average balances are based on the balance as of the end of each month during the financial year.

(2) For the purpose of the average balance sheet, the interest income and expense amounts are stated after allocation of interest on financial instruments entered into for hedging purposes.

Average Net Interest Margin and Spread

The following tables show our average interest-earning assets, average interest-bearing liabilities and net interest income and illustrate the comparative net interest margin and net interest spread for the years ended April 4, 2023, 2022 and 2021, respectively:

	As at April 4, 2023
	(£ million, except percentages)
Net average interest-earning assets	288,136
Net average interest-bearing liabilities	268,707
Net interest income[1]	4,498
Average yield on average interest-earning assets	3.06%
Average rate on average interest-bearing liabilities	1.61%
Net interest spread[2]	1.45%
Net interest margin[3]	1.57%

Notes:

(1) Defined as total interest income less total interest expense.

(2) Defined as the difference between the average yield on interest-earning assets and the average rate on interest-bearing liabilities.

(3) Defined as net interest income divided by weighted average interest-earning assets.

	As at April 4, 2022
	(£ million, except percentages)
Net average interest-earning assets	279,098
Net average interest-bearing liabilities	265,973
Net interest income[(1)]	3,562
Average yield on average interest-earning assets	1.62%
Average rate on average interest-bearing liabilities	0.36%
Net interest spread[(2)]	1.26%
Net interest margin[(3)]	1.26%

Notes:

(1) Defined as total interest income less total interest expense.

(2) Defined as the difference between the average yield on interest-earning assets and the average rate on interest-bearing liabilities.

(3) Defined as net interest income divided by weighted average interest-earning assets.

	As at April 4, 2021
	(£ million, except percentages)
Net average interest-earning assets	255,698
Net average interest-bearing liabilities	245,254
Net interest income[(1)]	3,146
Average yield on average interest-earning assets	1.61%
Average rate on average interest-bearing liabilities	0.40%
Net interest spread[(2)]	1.21%
Net interest margin[(3)]	1.23%

Notes:

(1) Defined as total interest income less total interest expense.

(2) Defined as the difference between the average yield on interest-earning assets and the average rate on interest-bearing liabilities.

(3) Defined as net interest income divided by weighted average interest-earning assets.

Changes in Interest Income and Expenses – Volume and Rate Analysis

The following table allocates the changes in our interest income and expense between changes in average volume and changes in the average rates for the year ended April 4, 2023 compared to the year ended April 4, 2022. We calculated volume and yield/rate variances based on movements of average balances over the period and changes in average interest yields/rates on interest-earning assets and interest-bearing liabilities. The net change attributable to changes in both volume and rate has been allocated in line with the amounts derived for pure rate and volume variances. Pension interest income and expense has been excluded from the table as the assets and liabilities to which they relate are held net on the balance sheet. More information on the net pension liability can be found in our audited consolidated financial statements incorporated by reference herein:

	Year ended April 4, 2023 compared to year ended April 4, 2022		
	Increase/(decrease) in net interest due to changes in:		
	Volume	Yield/rate	Total net change
		(£ million)	
Interest income:[(1)]			
Loans to credit institutions	(8)	894	886

Debt securities and derivative financial instruments	19	619	638
Interest on net defined benefit pension asset	22	-	22
Loans to customers	150	2,617	2,767
Total interest income	**183**	**4,130**	**4,313**
Interest expense:[1]			
UK retail member deposits	14	1,456	1,470
Other Deposits	(1)	850	849
Debt Securities in Issue and Derivative Financial Instruments	(12)	966	954
Subordinated liabilities	(9)	103	94
Subscribed Capital	(2)	12	10
Total interest expense	**10**	**3,367**	**3,377**
Net interest income	**173**	**763**	**936**

Note:
(1) Interest income and expense amounts are stated after allocation of interest on financial instruments entered into for hedging purposes.

The following table allocates the changes in our interest income and expense between changes in average volume and changes in the average rates for the year ended April 4, 2022 compared to the year ended April 4, 2021. We calculated volume and yield/rate variances based on movements of average balances over the period and changes in average interest yields/rates on interest-earning assets and interest-bearing liabilities. The net change attributable to changes in both volume and rate has been allocated in line with the amounts derived for pure rate and volume variances. Pension interest income and expense has been excluded from the table as the assets and liabilities to which they relate are held net on the balance sheet. More information on the net pension liability can be found in our audited consolidated financial statements incorporated by reference herein:

	Year ended April 4, 2022 compared to year ended April 4, 2021		
	Increase/(decrease) in net interest due to changes in:		
	Volume	**Yield/rate**	**Total net change**
	(£ million)		
Interest income:[1]			
Loans to credit institutions	37	31	68
Debt securities and derivative financial instruments	2	35	37
Interest on net defined benefit pension asset	(3)	-	(3)
Loans to customers	68	218	286
Total interest income	104	284	388
Interest expense:[1]			
UK retail member deposits	42	(99)	(57)
Other Deposits	8	20	28
Debt Securities in Issue and Derivative Financial Instruments	-	(9)	(9)
Subordinated liabilities	(14)	20	5
Subscribed Capital	(1)	4	3
Total interest expense	**81**	**(110)**	**(29)**
Net interest income	**23**	**394**	**417**

Note:

(1) Interest income and expense amounts are stated after allocation of interest on financial instruments entered into for hedging purposes.

The following table allocates the changes in our interest income and expense between changes in average volume and changes in the average rates for the year ended April 4, 2021 compared to the year ended April 4, 2020. We calculated volume and yield/rate variances based on movements of average balances over the period and changes in average interest yields/rates on interest-earning assets and interest-bearing liabilities. The net change attributable to changes in both volume and rate has been allocated in line with the amounts derived for pure rate and volume variances. Pension interest income and expense has been excluded from the table as the assets and liabilities to which they relate are held net on the balance sheet. More information on the net pension liability can be found in our audited consolidated financial statements incorporated by reference herein:

	Year ended April 4, 2021 compared to year ended April 4, 2020		
	Increase/(decrease) in net interest due to changes in:		
	Volume	**Yield/rate**	**Total net change**
		(£ million)	
Interest income:(1)			
Loans to credit institutions	39	(168)	(129)
Debt securities and derivative financial instruments	23	(50)	(27)
Loans to customers	7		7
Total interest income	**(7)**	**(850)**	**(857)**
Interest expense:(1)	**62**	**(1,068)**	**(1,006)**
UK retail member deposits			
Other Deposits	50	(914)	(864)
Debt Securities in Issue and Derivative Financial Instruments	49	(203)	(154)
Subordinated liabilities	(41)	(236)	(277)
Subscribed Capital	(7)	(40)	(47)
Total interest expense	**51**	**(1,393)**	**(1,342)**
Net interest income	**11**	**325**	**336**

Note:

(1) Interest income and expense amounts are stated after allocation of interest on financial instruments entered into for hedging purposes.

Investment Securities Portfolios

As at April 4, 2023, our investment securities portfolios were carried at a book value of £27,615 million, representing 10% of our total assets. We only purchase investment-grade debt securities and do not operate a trading portfolio. The following table provides information on the breakdown of our investment securities as at April 4, 2023, 2022 and 2021, respectively:

	As at April 4,		
	2023	**2022**	**2021**
		(£ million)	
Government, government guaranteed and supranational investment securities	22,968	20,897	21,363

	As at April 4,		
	2023	2022	2021
		(£ million)	
Other debt investment securities	4,592	4,529	4,083
Investments in equity shares	55	58	27
Total	**27,615**	**25,484**	**25,473**

Investment portfolio by credit rating & country/region

	As at April 4, 2023									
		Credit Rating				Geography				
Liquidity and investment portfolio by credit rating:	**£ million**	**AAA**	**AA**	**A**	**Other**	**UK**	**USA**	**Europe**	**Japan**	**Other**
	(£ million)					*(percentages)*				
Liquid assets:										
Cash and reserves at central banks	25,635	—	99	1	—	99	—	1	—	—
Government bonds[2]	20,130	31	54	15	—	37	24	14	12	13
Supranational bonds	2,838	46	54	—	—	—	—	—	—	100
Covered bonds	2,843	100	—	—	—	46	—	16	—	38
Residential mortgage backed securities (RMBS)	618	100	—	—	—	69	—	31	—	—
Asset-backed securities (other)	197	100	—	—	—	94	—	6	—	—
Liquid assets total	**52,261**	**22**	**72**	**6**	**-**	**67**	**9**	**7**	**5**	**12**
Other securities[3][1]:										
RMBS FVOCI	885	100	—	—	—	100	—	—	—	—
RMBS amortized cost	40	100	—	—	—	100	—	—	—	—
Other investments[4]	64	—	11	—	89	89	—	11	—	—
Other securities total	**989**	**93**	**1**	—	**6**	**99**	—	**1**	—	—
Loans and advances to banks	2,860	—	85	14	1	82	13	5	—	1
Total	**56,110**	**22**	**71**	**7**	—	**68**	**9**	**7**	**4**	**12**

Notes:

(1) Ratings used are obtained from Standard & Poor's (S&P), and from Moody's or Fitch if no S&P rating is available.

(2) Balances classified as government bonds include government guaranteed and agency bonds.

(3) Includes RMBS (UK buy to let and UK Non-conforming) not eligible for the Liquidity Coverage Ratio (LCR)

(4) Includes investment securities held at FVTPL of £13 million for 2023 (April 4, 2022: £17 million).

	As at April 4, 2022									
	(£ million)	**AAA**	**AA**	**A**	**Other**	**UK**	**US**	**Europe**	**Japan**	**Other**
	(£ million)					*(percentages)*				
Liquid Assets:										
Cash and reserves at central banks	30,221	-	99	1	-	100	-	-	-	-
Government Bonds[2]	19,579	30	55	15	—	33	23	22	13	9
Supranational bonds	1,318	58	42	—	—	—	—	—	—	100
Covered bonds	2,630	99	1	—	—	48	—	19	—	33
Residential mortgage backed securities (RMBS)	584	100	—	—	—	71	—	29	—	—
Asset backed Securities (other)	289	100	—	—	—	89	-	11	—	—
Liquid Assets total	**54,621**	**18**	**76**	**6**	—	**71**	**8**	**9**	**5**	**7**
Other Securities[3][1]										
RMBS FVOCI	889	100	—	—	—	100	—	—	—	—
RMBS amortized cost	118	100	—	—	—	100	—	—	—	—
Other Investments[4]	77	—	18	—	82	82	—	18	—	—
Other securities total	1,084	93	1	—	6	99	—	1	—	—
Loans and advances to banks	3,052	-	77	21	2	83	11	5	-	1

	As at April 4, 2022									
	(£ million)	AAA	AA	A	Other	UK	US	Europe	Japan	Other
	(£ million)					*(percentages)*				
Total	**58,757**	**19**	**75**	**6**	**—**	**72**	**8**	**9**	**4**	**7**

Notes:

(1) Ratings used are obtained from Standard & Poor's (S&P), and from Moody's or Fitch if no S&P rating is available.

(2) Balances classified as government bonds include government guaranteed and agency bonds.

(3) Includes RMBS (UK buy to let and UK Non-conforming) not eligible for the Liquidity Coverage Ratio (LCR)

(4) Includes investment securities held at FVTPL of £17 million for 2022 (April 4, 2021: £12 million).

The following table shows the contractual maturity of investment securities held as at April 4, 2023, 2022 and 2021:

	2023	2022	2021
		(£ million)	
Due less than 1 month	81	61	39
Due between 1 and 3 months	151	17	136
Due between 3 and 6 months	41	68	197
Due between 6 and 9 months	68	50	47
Due between 9 and 12 months	402	279	137
Due between 1 and 2 years	772	784	938
Due between 2 and 5 years	8,880	7,419	8,101
Due after more than 5 years	17,220	16,806	15,878
Total	**27,615**	**25,484**	**25,473**

Loan Portfolio

As at April 4, 2023 total loans to customers excluding fair value adjustments for hedge accounting, including accrued interest, were £210,782 million, representing 77.5% of our total assets. Our loan portfolio net of allowances has increased by 1.1% during the last year from £211,667 million as at April 4, 2022 to £214,072 million as at April 4, 2023.

The following table summarizes our loan portfolio, net of allowances, as at April 4, 2023, 2022 and 2021, respectively:

	As at April 4,		
	2023	2022	2021
		(£ million)	
Residential mortgage loans	157,474	154,354	149,681
Buy to let and legacy residential mortgages	43,908	43,579	41,025
Consumer banking	3,939	4,109	3,902
Commercial and other lending	5,461	6,024	6,939
Total loans to customers	**210,782**	**208,066**	**201,547**
Fair value adjustment for micro hedged risk[(1)]	430	549	653
Loans and advances to banks and similar institutions	2,860	3,052	3,660
Total	**214,072**	**211,667**	**205,860**

Notes:

(1) Under IFRS the carrying value of the hedged item is adjusted for the change in value of the hedged risk.

The following table presents the contractual maturity distribution for repayment for the loan portfolio held by us as at April 4, 2023:

	As at April 4, 2023					
	Due in less than 1 month	**Due in 1 month to 3 Months**	**Due in 3 months to 1 year**	**Due in 1 year to 5 years**	**Due after 5 years**	**Total[1]**
			(£ million)			
Loans and advances to customers	2,786	1,371	6,256	31,446	168,925	210,782
Loans and advances to banks	1,887	—	—	—	973	2,860
Total Loans portfolio net of impairment provisions	**4,673**	**1,371**	**6,256**	**31,446**	**169,898**	**213,642**

Note:

(1) The maturity analysis is produced on the basis that where a loan is repayable by installments, each installment is treated as a separate repayment.

Loans in Arrears

Loans in arrears refer to amounts that are unpaid at their contractual date. A customer is in arrears when they are behind in fulfilling their obligations such that an outstanding loan payment is overdue. Such a customer can also be said to be in a state of delinquency. When a customer is in arrears, the entire outstanding balance is said to be delinquent, meaning that delinquent balances are the total outstanding loans on which payments are overdue.

The following tables show the payment status of all residential mortgages as at April 4, 2023 and 2022:

	As at April 4, 2023				As at April 4, 2022			
	Prime	**Buy to let and legacy**	**Total**		**Prime**	**Buy to let and legacy**	**Total**	
(Audited)		*(£ million)*		*%*		*(£ million)*		*%*
Not past due	155,849	43,270	199,119	98.7	152,932	43,000	195,932	98.9
Past due 0 to 1 month	1,044	376	1,420	0.7	920	305	1,225	0.6
Past due 1 to 3 months	310	213	523	0.3	240	127	367	0.2
Past due 3 to 6 months	155	108	263	0.1	122	78	200	0.1
Past due 6 to 12 months	111	65	176	0.1	99	74	173	0.1
Past due over 12 months	76	50	126	0.1	109	95	204	0.1
Possessions	13	22	35	-	5	14	19	-
Total residential mortgages	**157,558**	**44,104**	**201,662**	**100**	**154,427**	**43,693**	**198,120**	**100**

The proportion of loans more than three months in arrears has decreased to 0.32% (April 4, 2022: 0.34%) and arrears levels remain low across prime and specialist lending. However, an increase in arrears from current levels is expected, due to rising inflation and increasing interest rates negatively impacting household finances. Impairment provision balances have increased to £280 million (2022: £187 million) due to deterioration in the economic assumptions used to model expected credit losses, including an increase in provisions for the impact of increasing interest rates on mortgage affordability. In total, £245 million (April 4, 2022: £261 million) of buy to let and legacy balances were more than 3 months past due or in possession, which includes the impact of the change

As at April 4, 2023, the mortgage portfolios include 1,329 (April 4, 2022: 1,924) mortgage accounts, including those in possession, where payments were more than 12 months in arrears. The total principal outstanding in these cases was £147 million (April 4, 2022: £215 million), and the total value of arrears was £26 million (April 4, 2022: £30 million).The following tables show the payment status of all residential mortgages as at April 4, 2022 and 2021:

	As at April 4, 2022				As at April 4, 2021			
	Prime	**Buy to let and legacy**	**Total**		**Prime**	**Buy to let and legacy**	**Total**	
(Audited)		*(£ million)*		*%*		*(£ million)*		*%*
Not past due	152,932	43,000	195,932	98.9	148,285	40,460	188,745	98.8
Past due 0 to 1 month	920	305	1,225	0.6	842	278	1,120	0.6

	As at April 4, 2022				As at April 4, 2021			
	Prime	Buy to let and legacy	Total		Prime	Buy to let and legacy	Total	
(Audited)		*(£ million)*		*%*		*(£ million)*		*%*
Past due 1 to 3 months	240	127	367	0.2	259	159	418	0.2
Past due 3 to 6 months	122	78	200	0.1	149	121	270	0.2
Past due 6 to 12 months	99	74	173	0.1	113	108	221	0.1
Past due over 12 months	109	95	204	0.1	123	113	236	0.1
Possessions	5	14	19	-	3	10	13	-
Total residential mortgages	**154,427**	**43,693**	**198,120**	**100**	**149,774**	**41,249**	**191,023**	**100**

The proportion of loans more than three months in arrears has decreased to 0.34% in April 4, 2022 (April 4, 2021: 0.43%) and arrears levels remain low across prime and specialist lending, reflecting the low interest rate environment, supported by robust credit assessment and affordability controls at the point of lending. In total, £261 million (April 4, 2021: £352 million) of buy to let and legacy balances were more than 3 months past due or in possession, which includes the impact of the change in the treatment of arrears on deceased accounts described above.

As at April 4, 2022, the mortgage portfolios include 1,924 (2021: 2,150) mortgage accounts, including those in possession, where payments were more than 12 months in arrears. The total principal outstanding in these cases was £215 million (2021: £245 million), and the total value of arrears was £30 million (April 4, 2021: £29 million).

Loan Loss Experience

We assess at each balance sheet date whether, as a result of one or more events that occurred after initial recognition, there is objective evidence that a financial asset or group of financial assets is impaired. Evidence of impairment may include indications that the borrower or group of borrowers are experiencing significant financial difficulty, default or delinquency in interest or principal payments or the debt being restructured to reduce the burden on the borrower.

We first assess whether objective evidence of impairment exists either individually for assets that are separately significant or individually or collectively for assets that are not separately significant. If there is no objective evidence of impairment for an individually assessed asset it is included in a group of assets with similar credit risk characteristics and collectively assessed for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The resultant provisions have been deducted from the appropriate asset values in the balance sheet.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by us to reduce any differences between loss estimates and actual loss experience.

The following table sets forth the movement in our allowances for loan losses for the year ended April 4, 2023:

Reconciliation of movements in gross balances and impairment provisions

	Non-credit impaired				Credit impaired [1]			
	Subject to 12 month ECL		Subject to lifetime ECL		Subject to lifetime ECL		Total	
	Stage 1		Stage 2		Stage 3 end POCI			
Group	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions
				(£ millions)				
At April 5, 2022	2,646	25	1,720	261	272	243	4,638	529
Stage transfers:								
Transfers from Stage 1 to Stage 2	(2,871)	(38)	2.871	38	-	-	-	-
Transfers to Stage 3	(12)	(1)	(151)	(92)	163	93	-	-

Transfers from Stage 2 to Stage 1	2,347	206	(2,347)	(206)	-	-	-	-
Transfers from Stage 3	3	2	32	15	(35)	(17)	-	-
Net remeasurement of ECL arising from transfer of stage	-	(174)	-	209	-	4	-	39
Net movement arising from transfer of stage[2]	(533)	(5)	405	(36)	128	80	-	39
New assets originated or purchased[3]	1,344	33	-	-	-	-	1,344	33
Further lending/repayments[4]	(739)	(23)	(161)	(35)	(20)	(15)	(920)	(73)
Changes in risk parameters in relation to credit quality[5]	-	(4)	-	29	-	23	-	48
Other items impacting income statement charge/(reversal) including recoveries	-	-	-	-	-	(6)	-	(6)
Redemptions[6])	(335)	(1)	(219)	(8)	(3)	(1)	(557)	(10)
Income statement charge for the year	-	-	-	-	-	-	-	31
Decrease due to write-offs	-	-	-	-	(97)	(97)	(97)	(97)
Other provision movements	-	-	-	-	-	6	-	6
April 4, 2022	2,383	25	1,745	211	280	233	4,408	469
Net carrying amount		2,358		1,534		47		3,939

Notes:

(1) Group gross balances of credit impaired loans include £123 million (2022: £135 million) of purchased or originated credit impaired (POCI) loans, which are presented net of lifetime ECL impairment provisions of £5 million (2022: £5 million).

(2) The remeasurement of provisions arising from a change in stage is reported within the stage to which the assets are transferred.

(3) If a new asset is generated in the month, the value included is the closing gross balance and provision for the month. All new business written is included in Stage 1.

(4) This comprises further lending and capital repayments where the asset is not derecognized. The value for gross balances is calculated as the closing gross balance for the month less the opening gross balance for the month. The value for provisions is calculated as the change in exposure at default (EAD) multiplied by opening provision coverage for the month.

(5) This comprises changes in risk parameters, and changes to modelling inputs and methodology. The provision movement for the change in risk parameters is calculated for assets that do not move stage in the month.

(6) For any asset that is derecognized in the month, the value disclosed is the provision at the start of that month.

The following table sets forth our impairment provisions for the years ended April 4, 2023, 2022 and 2021:

Impairment provisions

	2023	2022	2021
		(£ million)	
Prime residential	84	73	93
Buy to let and legacy residential	196	114	224
Consumer banking	469	529	502
Commercial and other lending	16	30	33
Total	**765**	**746**	**852**

The following tables show the allowances for loan losses as a percentage of total loans, analyzed by category for the years ended April 4, 2023, 2022 and 2021:

April 4, 2023	Total Balance	(%) of Total	Provision	Provision/Total Balance
Prime residential mortgages	157,474	74.71%	84	0.04%
Buy to let and legacy residential mortgages	43,908	20.83%	196	0.09%
Consumer banking	3,939	1.87%	469	0.22%
Commercial and other lending	5,461	2.59%	16	0.01%
Total	**210,782**	**100%**	**765**	**0.36%**

April 4, 2022	Total Balance	(%) of Total	Provision	Provision/Total Balance
Prime residential mortgages	154,354	74.19%	73	0.04%
Buy to let and legacy residential mortgages	43,579	20.94%	114	0.06%
Consumer banking	4,109	1.97%	529	0.25%
Commercial and other lending	6,024	2.90%	30	0.01%
Total	**208,066**	**100%**	**746**	**0.36%**

April 4, 2021	Total Balance	(%) of Total	Provision	Provision/Total Balance
Prime residential mortgages	149,681	74.27%	93	0.05%
Buy to let and legacy	41,025	20.36%	224	0.11%
Consumer banking	3,902	1.94%	502	0.25%
Commercial and other lending	6,939	3.43%	33	0.01%
Total	**201,547**	**100%**	**852**	**0.42%**

Deposits

The following table sets out the average balances and average interest rates for each deposit type for the year ended April 4, 2023:

	For year ended April 4, 2023	
	Average balance	Average rate paid
	(£ million, except percentages)	
UK retail member deposits	182,839	1.04%
Other customer deposits and amounts due to banks[(1)]	42,688	2.15%

Note:
(1) Amounts owed to other customers include time deposits, call deposits and retail deposits that do not grant "member" status.

The following table sets out the average balances and average interest rates for each deposit type for the year ended April 4, 2022:

	For year ended April 4, 2022	
	Average balance	Average rate paid
	(£ million, except percentages)	
UK retail member deposits	177,041	0.25%

Other customer deposits and amounts due to banks[1]	43,419	0.16%

Note:
(1) Amounts owed to other customers include time deposits, call deposits and retail deposits that do not grant "member" status.

The following table sets out the average balances and average interest rates for each deposit type for the year ended April 4, 2021:

	For year ended April 4, 2021	
	Average balance	Average rate paid
	(£ million, except percentages)	
UK retail member deposits	163,201	0.30%
Other customer deposits and amounts due to banks[1]	35,895	0.11%

Note:
(1) Amounts owed to other customers include time deposits, call deposits and retail deposits that do not grant "member" status.

Maturity of Deposits

The following table shows the maturity analysis of time deposits over $100,000 and certificates of deposit as at April 4, 2023:

	As at April 4, 2023			
	Time deposits	Certificates of deposit	Total	(%)
	(£ million, except percentages)			
Less than 3 months	851	1	852	88%
3 months to 6 months	101	-	101	10%
6 months to 1 year	12	-	12	1%
Over 1 year	9	-	9	1%
Total	973	1	974	100%

Return on Assets

The following table represents net income as a percentage of total average assets:

	For the year ended April 4,		
	2023	2022	2021
	(£ million, except percentages)		
Net income[1]	1,664	1,252	618
Total average assets[2]	285,610	272,174	260,500
Return on total average assets	0.58%	0.46%	0.24%

Notes:
(1) Net income represents profit for the financial year after tax.
(2) Total average asset is based on the total assets as of the end of each month during the financial year.

As a mutual organization, we are managed for the benefit of our members, primarily our retail savings and residential mortgage customers, rather than for equity shareholders. We return value to our members by offering generally higher interest rates on savings and lower interest rates on loans than those offered by our main competitors. As a result, we typically earn lower profits than our main competitors, which are typically banks or other non-mutual organizations. However, most of our net earnings are put into reserves and constitute Tier 1 capital for our capital adequacy requirements.

We have not presented any information regarding returns on equity because, as a mutual organization, we do not have equity.

FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

Financial instruments incorporate the vast majority of our assets and liabilities, both on a Group level and for the Society. Given the dominant position of the Society within the Group structure, the term 'Group' is used in the remainder of this note to cover the activities of both Group and Society.

We accept deposits from customers at fixed and variable interest rates for various periods and seek to earn an interest margin by investing these funds in high quality assets, predominantly mortgages. The principal risks which arise from this core activity, and which need to be managed by Nationwide, are interest rate risk (including basis risk), currency risk, credit risk and liquidity and funding risks.

All risks are monitored and managed within the Enterprise Risk Management Framework ("**ERMF**"). The ERMF comprises a Board-approved risk appetite, detailed risk management frameworks (including policies and supporting documentation), and independent governance and oversight functions.

We use derivative instruments to manage various aspects of risk. However, in doing so we comply with the UK Building Societies Act in relation to the use of derivatives for the mitigation of consequences arising from changes in interest rates, exchange rates or other factors defined by the Act.

Derivatives

Our risk management approach is to use interest rate and currency derivatives to economically hedge the fair value of fixed rate assets and liabilities. The market risk from fixed rate assets and liabilities may be netted down before deciding to use derivatives. The derivatives used are predominantly interest rate swaps, which convert fixed rate cash flows to a benchmark floating rate such as SOFR or SONIA, and cross currency swaps which convert foreign currency cash flows to GBP cash flows. In addition, bond forwards are used to reduce swap spread risk within the investment securities portfolio and inflation swaps are used to economically hedge contractual inflation risk within investment securities.

While our derivative financial instruments are held for risk mitigation purposes, not all of these derivatives are designated as hedging instruments as defined by IFRS 9.

The following table describes the significant activities we have undertaken, the risks associated with such activities and the types of derivatives which are used in managing such risks. Such risks may alternatively be managed using cash instruments as part of an integrated approach to risk management:

Activity	Risk	Type of derivative instrument used
Savings products and funding activities involving instruments which are fixed rate or which have embedded options	Sensitivity to changes in interest rates and inflation risk including differential between Base Rate and SOFR/SONIA or inflation risk	Interest rate swaps including basis swaps, interest rate futures, swaptions, forward rate agreements and inflation swaps
Mortgage lending and investment activities involving instruments which are fixed rate or which include explicit or embedded options	Sensitivity to changes in interest rates, including differential between Base Rate and SOFR/SONIA and inflation risk.	Interest rate swaps including basis swaps, interest rate futures, swaptions, caps, collars, forward rate agreements
Investment and funding in foreign currencies	Sensitivity to changes in foreign exchange rates	Cross-currency swaps, FX swaps, foreign exchange transactions

The accounting policy for derivatives and hedge accounting is described in the Statement of Accounting Policies. Where possible, we apply hedge accounting to derivatives in order to reduce accounting volatility. We currently uses two of the three types of hedge accounting permitted by IFRS 9: fair value hedge accounting and cash flow hedge accounting, but not hedging of a net investment in a foreign operation.

The Board and the ALCO are responsible for setting certain parameters respectively over our exposure to interest rates, foreign exchange rates and other indices. The Credit Committee sets our credit policy and regularly monitors and reviews credit exposures arising in all aspects of Group operations, including derivatives. All risk committees are overseen by the Executive Risk Committee, while the Board Risk Committee provides oversight of the risk framework for Nationwide including governance.

All exchange-traded instruments are subject to cash requirements under the standard margin arrangements applied by the individual exchanges. Such instruments are not subject to significant credit risk. Credit exposures arising on derivative contracts with certain counterparties are collateralized (e.g. with cash deposits), to mitigate credit exposures. To comply with EU regulatory requirements, we, as a direct member of a central counterparty (CCP), have central clearing capability which we use to clear standardized derivatives. Where derivatives are not cleared at a CCP they are transacted under the International Swaps and Derivatives Association (ISDA) Master Agreement.

Each of the principal financial risks to which we are exposed (interest rate, credit, foreign exchange, liquidity and funding risk) is considered below.

Interest rate risk

Our main market risk is interest rate risk. Market movements in interest rates affect the interest rate margin realized from lending and borrowing activities.

To reduce the impact of such movements, hedging activities are undertaken by our Treasury function. For example, interest rate risks generated by lending to and receiving deposits from customers are offset against each other internally where possible. The remaining net exposure is managed using derivatives, within parameters set by ALCO.

In addition to primary lending and borrowing activities, income volatility arising from certain rate insensitive products (including reserves and CCDS) are structurally hedged.

Our interest rate risk is measured using a combination of value-based assessments and earnings sensitivity assessments.

The VaR model incorporates risk factors based on historic interest rate and currency movements. A 10-day horizon and a 99% confidence level is typically used in day to day VaR monitoring. VaR is used to monitor interest rate, swap spread, currency and product option risks and is not used to model income. Exposures against limits are reviewed daily by management. Actual outcomes are monitored on an ongoing basis by management to test the validity of the assumptions and factors used in the VaR calculation. The values reported below are on the same basis as those used internally.

Although VaR is a valuable risk measure, it needs to be viewed in the context of the following limitations which may mean that exposures could be higher than modeled:

- The use of a 99% confidence level, by definition, does not take account of changes in value that might occur beyond this level of confidence;
- VaR models often under-predict the likelihood of extreme events and over-predict the benefits of offsetting positions in those extreme events;
- The VaR model uses historical data to predict future events. Extreme market moves outside of those used to calibrate the model will deliver exceptions. In periods where volatility is

increasing, the model is likely to under-predict market risks and in periods where volatility is decreasing it is likely to over-predict market risks;

- Historical data may not adequately predict circumstances arising from government interventions and stimulus packages, which increase the difficulty of evaluating risks.

To seek to mitigate these limitations, backtesting of the VaR model is undertaken regularly to ensure that the model is appropriate. This process compares actual performance against the estimated VaR numbers. To evaluate the potential impact of more extreme but plausible events or movements in a set of financial variables, the standard VaR metric is supported with sensitivity and stress analysis.

The table below highlights our limited exposure to interest rate risk, shown against a range of value-based assessments. These sensitivities do not include retail product behavioral changes, which are captured by other measures.

	For the year ended April 4, 2023			For the year ended April 4, 2022		
	Average	**High**	**Low**	**Average**	**High**	**Low**
			(£ million)			
VaR (99%/10-day) *(audited)*	0.6	1.4	0.1	3.2	10.6	0.5
Sensitivity analysis (PV01) *(audited)*.	0.0	0.1	0.0	0.1	0.2	(0.0)

Earnings sensitivity assessments are also used to measure the risk that income is adversely impacted by changes in interest rates. These techniques apply rate shocks to the rates paid on liabilities and to the rates earned on assets and the impact on earnings is calculated. The absolute levels of interest rates can influence the flexibility to manage earnings. Illustratively, if interest rates were to fall or become negative, margins may be constrained because it is unlikely that the benefit to borrowers can be fully offset through current account or savings product rate changes.

We also measure interest rate risk through net interest income ("**NII**") and economic value of equity ("**EVE**") sensitivity measures, under a range of shock scenarios which include behavioral assumptions for retail products as interest rates change. These measures are assessed based on the standard shocks prescribed by regulatory guidelines, as well as against internally generated shock scenarios.

- NII sensitivities assess the impact to earnings in different interest rate shocks over a one-year period. Sensitivities are calculated based on a static balance sheet, where all assets and liabilities maturing within the year are reinvested in like for like products. The sensitivity also includes the impact arising from off-balance sheet exposures.

- EVE sensitivities measure the change in value of interest rate sensitive items, both on and off-balance sheet, under a range of interest rate shocks. Sensitivities are calculated on a run-off balance sheet basis.

Both NII and EVE sensitivities are measured regularly, with risk limits set against the various shocks.

Credit risk

Credit risk is the risk of loss as a result of a member, customer or counterparty failing to meet their financial obligations. Credit risk encompasses:

- borrower / counterparty risk – the risk of loss arising from a borrower or counterparty failing to pay, or becoming increasingly likely not to pay the interest or principal on a loan, financial product, or service on time;

- security / collateral risk – the risk of loss arising from deteriorating security / collateral quality;

- concentration risk – the risk of loss arising from insufficient diversification;
- refinance risk – the risk of loss arising when a repayment of a loan or other financial product occurs later than originally anticipated.

At Nationwide, we lend in a responsible, affordable and sustainable way to ensure we safeguard members and our financial strength throughout the credit cycle. To this end, the Board Risk Committee sets the level of risk appetite it is willing to take in pursuit of our strategy, which is articulated as Board risk appetite statements and underlying principles:

We safeguard our members by lending responsibly:

- We will only lend to members, customers or counterparties who demonstrate that they can afford to borrow.
- We will support members and customers buying mortgageable houses of wide-ranging types and qualities.
- We will work with members and customers to recover their financial position should there be a delay, or risk of delay, in meeting their financial obligations.

We safeguard our financial performance, strength and reputation:

- We will manage asset quality so that losses through an economic cycle will not undermine profitability, financial strength and our standing with internal/external stakeholders.
- We will ensure that no material segment of our lending exposes the Society to excessive loss.
- We will proactively manage credit risk and comply with regulation.

We operate with a commitment to responsible lending and a focus on championing good conduct and fair outcomes. In this respect, we formulate appropriate credit criteria and policies which are aimed at mitigating risk against individual transactions and ensuring that our credit risk exposure remains within risk appetite. The Board Risk Committee and, under a governed delegated mandate structure, the Credit Committee, the Executive Sanctioning Committee and individual Material Risk Takers make credit decisions, based on a thorough credit risk assessment, to ensure that customers are able to meet their obligations.

At a portfolio level, we measure and manage our risk profile and the performance of our credit portfolios on an ongoing basis, through a formal governance structure. Compliance with Board risk appetite is measured against absolute limits and risk metrics and is reported to our Credit Committee monthly, with adverse trends being investigated and corrective action taken to mitigate the risk and bring performance back on track.

We are committed to helping customers who may anticipate or find themselves experiencing a period of financial difficulty, offering a range of forbearance options tailored to their individual circumstances. This is the case for residential mortgages, consumer banking and commercial lending. Accounts in financial difficulty/arrears are managed by our specialist teams to ensure an optimal outcome for our members, customers and the Society.

Credit risk within the Treasury portfolio arises from the instruments held and transacted by the Treasury function for operational, liquidity, and investment purposes. In addition, counterparty credit risk arises from the use of derivatives to reduce exposure to market risks; these are only transacted with highly rated organizations and collateralized under market standard documentation.

The treasury credit risk function manages all aspects of credit risk in accordance with our risk governance frameworks, under the supervision of the Credit Committee.

In accordance with IFRS 9, Treasury assets are assessed for credit risk deterioration each month. Scorecards are used to test current and expected performance and the results determine expected credit loss

("**ECL**") provisions. This process is part of an established governance structure that identifies under-performing assets and assesses the likelihood of, and options to minimize, future losses.

We have no exposure to emerging markets, hedge funds or credit default swaps.

The following table presents our maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, before taking into account any collateral held or other credit enhancements and after allowance for impairment where appropriate. The maximum exposure to loss for off-balance sheet financial instruments is considered to be their contractual nominal amounts:

	2023			2022		
	Carrying value	**Commitments**	**Maximum credit risk exposure**	**Carrying value**	**Commitments [1][2]**	**Maximum credit risk exposure**
			(£ million)			
Cash	25,635	—	25,635	30,221	—	30,221
Loans and advances to banks	2,860	—	2,860	3,052	—	3,052
Investment securities	27,615	—	27,615	25,484	—	25,349
Derivative financial instruments	6,923	—	6,923	4,723	—	4,723
Fair value adjustment for portfolio hedged risk	(5,011)	—	(5,011)	(2,443)	—	(2,443)
Loans and advances to customers	210,782	10,334	221,116	208,066	15,258	223,459
Total	**268,804**	**10,334**	**279,138**	**269,103**	**15,258**	**284,361**

Notes:

(1) In addition to the amounts shown above, we have revocable commitments of £10,444 million (2022: £10,622 million) in respect of credit card and overdraft facilities. These commitments represent agreements to lend in the future, subject to certain considerations. Such commitments are cancellable by Nationwide, subject to notice requirements, and given their nature are not expected to be drawn down to the full level of exposure.

(2) The fair value adjustment for portfolio hedged risk and the fair value adjustment for micro hedged risk (which relates to the commercial lending portfolio) represent hedge accounting adjustments. They are indirectly exposed to credit risk through the relationship with the underlying loans covered by Nationwide's hedging programs.

Currency risk

Currency exposure is managed through natural offsetting on the balance sheet, with derivatives used to maintain the net exposures within limits. ALCO sets and monitors limits on the net currency exposure. The table below sets out the limited extent of the residual exposure to currency risk:

	2023			2022		
	Average	**High**	**Low**	**Average**	**High**	**Low**
			(£ million)			
VaR (99%/10-day)	0.1	0.7	0.0	0.0	0.1	0.0

Liquidity and funding risk

Liquidity risk is the risk that we are unable to raise cash to settle our financial obligations as they fall due and maintain member and other stakeholder confidence. Funding risk is the risk that we are unable to maintain diverse funding sources in wholesale and retail markets and manage retail funding risk that can arise from excessive concentrations of higher risk deposits.

Our management of liquidity and funding risks aims to ensure that there are sufficient liquid assets at all times, both as to amount and quality, to:

- cover cash flow mismatches and fluctuations in funding
- retain public confidence

- meet financial obligations as they fall due, even during episodes of stress.

This is achieved through the management and stress testing of business cash flows, and through the translation of Board risk appetite into appropriate risk limits. This ensures a prudent funding mix and maturity profile, sufficient levels of high-quality liquid assets and appropriate encumbrance levels are maintained.

The liquidity and funding risk framework is reviewed by the Board as part of the annual Internal Liquidity Adequacy Assessment Process (ILAAP). ALCO is responsible for managing the balance sheet structure, including the Funding Plan, and its risks. This includes setting and monitoring more granular limits within Board limits. A consolidated cash flow forecast is maintained and reviewed weekly to support ALCO in monitoring key risk metrics.

A Liquidity Contingency Plan (LCP), which is part of the wider recovery plan framework, is maintained which describes early warning triggers for indicating an emerging liquidity or funding stress as well as escalation procedures and a range of actions that could be taken in response to ensure sufficient liquidity is maintained. The LCP is tested annually to ensure it remains robust. Our Recovery Plan describes potential actions that could be utilized in a more extreme stress.

For contingent purposes, we pre-position unencumbered mortgage assets at the Bank of England which can be used in the Bank of England's liquidity operations if market liquidity is severely disrupted.

The table below segments the carrying value of financial assets and financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for the years ended April 4, 2023 and 2022. In practice, customer behaviors mean that liabilities are often retained for longer than their contractual maturities and assets are repaid faster. This gives rise to mismatches in funding on the balance sheet. The balance sheet structure and risks are managed and monitored by ALCO. We use judgment and past behavioral performance of each asset and liability class to forecast our likely cash flow requirements.

	As at April 4, 2023					
	Not more than one month[(2)]	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**More than 5 years**	**Total**
	(£ million)					
Assets						
Cash	25,635	-	-	-	-	25,635
Loans and advances to banks and similar institutions	1,887	-	-	-	973	2,860
Investment securities	81	151	511	9,652	17,220	27,615
Derivative financial instruments	77	1	346	4,354	2,145	6,923
Fair value adjustment for portfolio hedged risk	(16)	(31)	(637)	(3,947)	(380)	(5,011)
Loans and advances to customers	2,784	1,371	6,256	31,446	168,925	210,782
Total financial assets	**30,448**	**1,492**	**6,476**	**41,505**	**188,883**	**268,804**
Liabilities						
Shares	149,642	2,153	21,720	12,697	931	187,143
Deposits from banks	7,882	13	1	17,160	-	25,056
Other deposits	1,806	1,559	1,701	125	-	5,191
Fair value adjustment for portfolio hedged risk	-	1	1	-	-	2

	As at April 4, 2023					
	Not more than one month[2]	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**More than 5 years**	**Total**
	(£ million)					
Secured funding – ABS and covered bonds	1,501	41	2,089	7,258	5,142	16,031
Senior unsecured	1,685	12	1,379	6,562	1,957	11,595
Derivative financial instruments	56	-	27	539	902	1,524
Subordinated liabilities	8	2	45	4,020	2,680	6,755
Subscribed capital[2]	1	-	1	-	171	173
Total financial liabilities	**162,581**	**3,781**	**26,964**	**48,361**	**11,783**	**253,470**
Off balance sheet commitments[3]	10,333	-	-	-	-	10,333
Net liquidity difference	**(142,466)**	**(2,289)**	**(20,488)**	**(6,856)**	**177,100**	**5,001**
Cumulative liquidity difference	**(142,466)**	**(145,755)**	**(475,082)**	**(354,465)**	**5,001**	

Notes:

(1). The analysis excludes certain financial assets and liabilities relating to accruals, trade receivables, trade payables and settlement balances which are generally short-term in nature and lease liabilities.

(2) Due less than one month includes amounts repayable on demand.

(3) The principal amount for undated subscribed capital is included within the due after more than five years column.

(4) Off-balance sheet commitments include amounts payable on demand for undrawn loan commitments, customer overpayments on residential mortgages where the borrower can draw down the amount overpaid, and commitments to acquire financial assets.

	As at April 4, 2022					
	Not more than one month[1]	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**More than 5 years**	**Total**
	(£ million)					
Assets						
Cash	30,221	-	-	-	-	30,221
Loans and advances to banks and similar institutions	2,031	-	-	-	1,021	3,052
Investment securities	61	17	397	8,203	16,806	25,484
Derivative financial instruments	90	119	166	2,864	1,484	4,723
Fair value adjustment for portfolio hedged risk	4	8	(335)	(1,964)	(156)	(2,443)
Loans and advances to customers	2,808	1,532	6,511	32,652	164,563	208,066
Total financial assets	**35,215**	**1,676**	**6,739**	**41,755**	**183,718**	**269,103**
Liabilities						
Shares	157,455	2,395	10,843	6,287	987	177,967
Deposits from banks	14,712	2	11	21,700	-	36,425
Other deposits	2,111	1,096	1,979	21	-	5,208
Fair value adjustment for portfolio hedged risk	1	3	3	4	-	11

	As at April 4, 2022					
	Not more than one month[1]	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**More than 5 years**	**Total**
			(£ million)			
Secured funding – ABS and covered bonds	387	26	3,387	6,832	5,201	15,833
Senior unsecured	239	555	1,323	6,142	1,537	9,796
Derivative financial instruments	52	5	39	402	930	1,428
Subordinated liabilities	792	-	34	3,402	4,022	8,250
Subscribed capital[2]	1	-	1	0	185	187
Total financial liabilities	**175,750**	**4,082**	**17,621**	**44,790**	**12,862**	**255,105**
Off balance sheet commitments[3]	15,258	-	-	-	-	15,258
Net liquidity difference	**(155,793)**	**(2,406)**	**(10,882)**	**(3,035)**	**170,856**	**(1,260)**
Cumulative liquidity difference	**(155,793)**	**(158,199)**	**(502,847)**	**(344,077)**	**(1,260)**	

Notes:

(1). The analysis excludes certain financial assets and liabilities relating to accruals, trade receivables, trade payables and settlement balances which are generally short-term in nature and lease liabilities

(2) Due less than one month includes amounts repayable on demand.

(3) The principal amount for undated subscribed capital is included within the due after more than five years column.

(4) Off-balance sheet commitments include amounts payable on demand for undrawn loan commitments, customer overpayments on residential mortgages where the borrower can draw down the amount overpaid, and commitments to acquire financial assets.

The following is an analysis of gross undiscounted contractual cash flows differs from the analysis of residual maturity due to the inclusion of interest accrued at current rates for the average period until maturity, on the amounts outstanding at the balance sheet date.

	For the year ended April 4, 2023					
Gross contractual cash flows	**Not more than one month[1]**	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**More than 5 years**	**Total**
			(£ million)			
Shares	149,642	2,430	22,249	13,084	931	188,336
Deposits from banks and similar institutions	7,882	195	547	17,717	-	26,341
Other deposits	1,806	1,573	1,710	126	-	5,215
Secured funding – ABS and covered bonds	1,516	56	2,445	8,489	6,568	19,074
Senior unsecured funding	1,688	17	1,571	7,560	2,261	13,097
Subordinated liabilities	9	-	243	4,997	3,072	8,321
Subscribed capital (note ii)	1	-	9	46	181	237
Total non-derivative financial liabilities	**162,544**	**4,271**	**28,774**	**52,019**	**13,013**	**260,621**
Gross settled derivative outflows	(1,477)	(106)	(903)	(11,970)	(10,934)	(25,390)
Gross settled derivative inflows	1,439	89	830	11,709	10,422	24,489
Gross settled derivatives – net flows	(38)	(17)	(73)	(261)	(512)	(901)
Net settled derivative liabilities	(237)	(370)	(2,767)	(7,246)	(3,842)	(14,462)
Total derivative financial liabilities	**(275)**	**(387)**	**(2,840)**	**(7,507)**	**(4,354)**	**(15,363)**
Total financial liabilities	**162,269**	**3,884**	**25,934**	**44,512**	**8,659**	**245,258**
Off-balance sheet commitments[3]	10,333	-	-	-	-	10,333
Total financial liabilities including off-balance sheet commitments	**172,602**	**3,884**	**25,934**	**44,512**	**8,659**	**255,591**

Notes:

(1) Due less than one month includes amounts repayable on demand.

(2) The principal amount for undated subscribed capital is included within the due more than five years column.

(3) Off-balance sheet commitments include amounts payable on demand for undrawn loan commitments, customer overpayments on residential mortgages where the borrower is able.

	For the year ended April 4, 2022					
Gross contractual cash flows	**Not more than one month[1]**	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**More than 5 years**	**Total**
			(£ million)			
Shares	157,455	2,422	10,902	6,406	987	178,172
Deposits from banks and similar institutions	14,712	43	134	21,967	-	36,856

Gross contractual cash flows	For the year ended April 4, 2022					
	Not more than one month[1]	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Total
	(£ million)					
Other deposits	2,111	1,099	1,980	21	-	5,211
Secured funding – ABS and covered bonds	388	35	3,558	7,471	5,765	17,217
Senior unsecured funding	240	559	1,425	6,743	1,652	10,619
Subordinated liabilities	796	1	234	4,225	4,570	9,826
Subscribed capital (note ii)	1	-	9	44	192	246
Total non-derivative financial liabilities	**175,703**	**4,159**	**18,242**	**46,877**	**13,166**	**258,147**
Gross settled derivative outflows	(4,828)	(49)	(2,159)	(8,100)	(8,823)	(23,959)
Gross settled derivative inflows	4,795	30	2,004	7,609	8,640	23,078
Gross settled derivatives – net flows	(33)	(19)	(155)	(491)	(183)	(881)
Net settled derivative liabilities	**(23)**	**(70)**	**(583)**	**(4,131)**	**(1,728)**	**(6,535)**
Total derivative financial liabilities	**(56)**	**(89)**	**(738)**	**(4,622)**	**(1,911)**	**(7,416)**
Total financial liabilities	**175,647**	**4,070**	**17,504**	**42,255**	**11,255**	**250,731**
Off-balance sheet commitments[3]	15,258	-	-	-	-	15,258
Total financial liabilities including off-balance sheet commitments	**190,905**	**4,070**	**17,504**	**42,255**	**11,255**	**265,989**

Notes:

(1) Due less than one month includes amounts repayable on demand.

(2) The principal amount for undated subscribed capital is included within the due more than five years column.

(3) Off-balance sheet commitments include amounts payable on demand for undrawn loan commitments, customer overpayments on residential mortgages where the borrower is able.

Fair values of financial assets and liabilities

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on our balance sheets at fair value:

	For the year ended April 4, 2023	
	Carrying value	Fair value
	(£ million)	
Financial assets		
Loans and advances to banks	2,860	2,860
Investment Securities – Amortized Cost	40	40
Loans and advances to customers:		
Residential mortgages	201,335	192,504
Consumer banking	3,939	3,821
Commercial and other lending	5,408	4,863
Total	**213,582**	**204,088**

	For the year ended April 4, 2023	
	Carrying value	Fair value
	(£ million)	
Financial liabilities		
Shares	187,143	186,917
Deposits from banks	25,056	25,056
Other deposits	5,191	5,190
Debt securities in issue	27,626	27,865
Subordinated liabilities	6,755	6,731
Subscribed capital	173	171
Total	**251,944**	**251,930**

Note:

(1) The table above excludes cash and other financial assets and liabilities such as accruals, trade receivables, trade payables and settlement balances which are short-term in nature and for which fair value approximates carrying value.

	For the year ended April 4, 2022	
	Carrying value	Fair value
	(£ million)	
Financial assets		
Loans and advances to banks	3,052	3,052
Investment Securities – Amortized Cost	118	119
Loans and advances to customers:		
Residential mortgages	197,869	195,637
Consumer banking	4,109	4,014
Commercial and other lending	5,972	5,683
Total	**211,120**	**208,505**
Financial liabilities		
Shares	177,967	177,818
Deposits from banks	36,425	36,425
Other deposits	5,208	5,208
Debt securities in issue	25,629	26,150
Subordinated liabilities	8,250	8,347
Subscribed capital	187	194
Total	**253,666**	**254,142**

Note:

(1) The table above excludes cash and other financial assets and liabilities such as accruals, trade receivables, trade payables and settlement balances which are short-term in nature and for which fair value approximates carrying value.

Loans and advances to banks

The fair value of loans and advances to banks is estimated by discounting expected cash flows at a market discount rate.

Loans and advances to customers

The fair value of loans and advances to customers is estimated by discounting expected cash flows to reflect current rates for similar lending.

Consistent modeling techniques are used across the different loan books. The estimates take into account expected future cash flows and future lifetime expected losses, based on historic trends and discount rates appropriate to the loans, to reflect a hypothetical exit price value on an asset by asset basis. Variable rate loans are modeled on estimated future cash flows, discounted at current market interest rates. Variable rate retail mortgages are discounted at the currently available market standard variable interest rate (the "**SVR**") which, for

example, in the case of our residential base mortgage rate (the "**BMR**") mortgage book, generates a fair value lower than the amortized cost value as those mortgages are priced below the SVR.

For fixed rate loans, discount rates have been based on the expected funding and capital cost applicable to the book. When calculating fair values on fixed rate loans, no adjustment has been made to reflect interest rate risk management through internal natural hedges or external hedging via derivatives.

Shares, deposits and borrowings

The estimated fair value of deposits with no stated maturity (including non-interest bearing deposits) is the amount repayable on demand. The estimated fair value of fixed interest rate shares, deposits and other borrowings without quoted market price represents the discounted amount of estimated future cash flows based on expectations of future interest rates, customer withdrawals and interest capitalization. For variable interest rate deposits, estimated future cash flows are discounted using current market interest rates for new debts with similar remaining maturity. For fixed rate shares and deposits, the estimated future cash flows are discounted based on market offer rates currently available for equivalent deposits.

Debt securities in issue

The estimated fair values of longer dated liabilities are calculated based on quoted market prices where available or using similar instruments as a proxy for those liabilities that are not of sufficient size or liquidity to have an active market quote. For those notes, where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

Subordinated liabilities and subscribed capital

The fair value of subordinated liabilities and subscribed capital is determined by reference to quoted market prices of similar instruments.

Fair value measurement

The following table provides an analysis of financial assets and liabilities held on our balance sheet at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

	For the year ended April 4, 2023			
	Level 1[(1)]	**Level 2[(2)]**	**Level 3[(3)]**	**Total**
		(£ million)		
Financial Assets				
Investment securities[(4)]	25,811	1,707	2	27,520
Investments in equity shares	—	3	52	55
Derivative financial instruments	—	6,766	157	6,923
Loans and advances to customers	—	—	100	100
Total	**25,811**	**8,476**	**311**	**34,598**
Financial Liabilities				
Derivative financial instruments	—	(1,513)	(11)	(1,524)
Total	**—**	**(1,513)**	**(11)**	**(1,524)**

Notes:

(1) Level 1: Fair value derived from unadjusted quoted prices in active markets for identical assets or liabilities, e.g. G10 government securities.

(2) Level 2: Fair value derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. a price) or indirectly (i.e. derived from prices), e.g. most investment grade and liquid bonds, ABS, certain CDOs, CLOs and OTC derivatives.

(3) Level 3: Inputs for the asset or liability are not based on observable market data (unobservable inputs), e.g. private equity investments, derivatives including an equity element, deposits including an equity element, some CDOs and certain ABS and bonds.

(4) Investment securities exclude £40 million (2022: £118 million) of investment securities held at amortised cost.

	For the year ended April 4, 2022			
	Level 1[(1)]	**Level 2[(2)]**	**Level 3[(3)]**	**Total**
		(£ million)		
Financial Assets				
Investment securities	23,527	1,776	5	25,308
Investments in equity shares	—	—	58	58
Derivative financial instruments	—	4,463	260	4,723
Loans and advances to customers	—	—	116	116
Total	**23,527**	**6,239**	**439**	**30,205**
Financial Liabilities				
Derivative financial instruments	—	(1,252)	(176)	(1,428)
Total	**—**	**(1,252)**	**(176)**	**(1,428)**

Notes:

(1) Level 1: Fair value derived from unadjusted quoted prices in active markets for identical assets or liabilities, e.g. G10 government securities.

(2) Level 2: Fair value derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. a price) or indirectly (i.e. derived from prices), e.g. most investment grade and liquid bonds, ABS, certain CDOs, CLOs and OTC derivatives.

(3) Level 3: Inputs for the asset or liability are not based on observable market data (unobservable inputs), e.g. private equity investments, derivatives including an equity element, deposits including an equity element, some CDOs and certain ABS and bonds.

Other financial assets represent fair value movements in mortgage commitments entered into where a loan has not yet been made. We fair value a portion of the mortgage commitments on the balance sheet.

Our Level 1 portfolio comprises government and other highly rated securities for which traded prices are readily available. Asset valuations for Level 2 investment securities are sourced from consensus pricing or other observable market prices. None of the Level 2 investment securities are valued using models. Level 2 derivative assets and liabilities are valued using observable market data for all significant valuation inputs.

Instruments move between fair value hierarchies primarily due to increases or decreases in market activity or changes to the significance of unobservable inputs to valuation, and are recognized at the date of the event or change in circumstances which caused the transfer. There were no transfers between the Level 1 and Level 2 portfolios during the year.

The main constituents of our Level 3 portfolio are as follows:

Loans and advances to customers

Certain loans and advances to customers have been classified as FVTPL. Level 3 assets in this category include a closed portfolio of residential mortgages and a small number of commercial loans.

Investment securities

The Level 3 items in this category primarily include investments made in FinTech companies, of which £44 million (2022: £46 million) are equity investments which have been designated at FVOCI as the investments are being held for long term strategic purposes.

Derivative financial instruments

Inflation swaps are used to hedge the Group's investments in index-linked government debt. Adjustments to the inflation curve to reflect seasonality in inflation index publications is required to determine a valuation; however, unlike most derivative valuation inputs, this market data is not available and therefore the input is internally derived rather than observable. During the year, the Group began transacting Euro and US Dollar inflation swaps, for which seasonality is a more significant input than for equivalent sterling swaps.

The tables below set out movements in the Level 3 portfolio, including transfers in and out of Level 3.

Level 3 portfolio – movements analysis

The table below analyzes movements in the Level 3 portfolio:

	For the year ended April 4, 2022			
	Investment securities	**Derivative financial assets**	**Derivative financial liabilities**	**Loans and advances to customers**
		(£ million)		
As at April 5, 2022	**63**	**260**	**(176)**	**116**
Gains/(losses) recognized in the income statement:				
Net interest income/(expense)	-	(113)	(16)	4
(Losses)/gains from derivatives and hedge accounting	-	509	75	-
Other operating (expense)/income	(3)	-	(9)	(11)
(Losses)/gains recognized in other comprehensive income:				
Fair value movement taken to members' interests and equity	(3)	-	-	-
Additions	1	-	-	-
Disposals	(4)	-	9	-
Settlements/repayments	-	(16)	4	(9)
Transfers out of Level 3 portfolio	-	(483)	102	-
As at April 4, 2022	**54**	**157**	**(11)**	**100**

	For the year ended April 4, 2022			
	Investment securities	**Derivative financial assets**	**Derivative financial liabilities**	**Loans and advances to customers**
		(£ million)		
As at April 4, 2021	**32**	**112**	**(52)**	**120**
Gains/(losses) recognized in the income statement:				
Net interest income/(expense)	-	48	(148)	2
(Losses)/gains from derivatives and hedge accounting	-	116	16	-
Other operating income	5	-	(16)	3
(Losses)/gains recognized in other comprehensive income:				
Fair value movement taken to members' interests and equity	10	-	-	-
Additions	20	-	-	-
Disposals	(4)	-	16	-
Settlements/repayments	-	(16)	8	(9)
Transfers out of Level 3 portfolio	-	-	-	-
As at April 4, 2022	**63**	**260**	**(176)**	**116**

	For the year ended April 4, 2021			
	Investment securities	**Derivative financial assets**	**Derivative financial liabilities**	**Loans and advances to customers**
		(£ million)		
As at April 4, 2020	**18**	—	—	**128**
Gains/(losses) recognized in the income statement:				
Net interest income/(expense)	—	(56)	(17)	3
(Losses)/gains from derivatives and hedge accounting	—	110	81	—
Other operating income	—	2	1	(1)
Losses recognized in other comprehensive income:				
Fair value movement taken to members' interests and equity	4	—	—	—
Additions	10	—	—	—
Disposals	—	(2)	(1)	—
Settlements/repayments	—	7	—	(10)
Transfers out of Level 3 portfolio	—	51	(116)	—
As at April 4, 2021	**32**	**112**	**(52)**	**120**

Level 3 portfolio – sensitivity analysis

The table below provides sensitivity analysis of reasonably possible alternative valuation assumptions for the assets in the Level 3 portfolio:

	For the year ended April 4, 2023		
	Fair value	**Favorable changes**	**Unfavorable changes**
		(£ million)	
Investment securities	54	4	(3)
Net Derivative financial instruments	146	32	(32)
Loans and advances to customers	100	3	(2)
Total	300	39	(37)

	For the year ended April 4, 2022		
	Fair value	**Favorable changes**	**Unfavorable changes**
		(£ million)	
Investment securities	63	6	(4)
Derivative financial instruments – assets	260	16	(16)
Derivative financial instruments – liabilities	(176)	59	(59)
Loans and advances to customers	116	2	(2)
Total	**263**	**83**	**(81)**

	For the year ended April 4, 2021		
	Fair value	**Favorable changes**	**Unfavorable changes**
		(£ million)	
Investment securities	32	13	(6)
Derivative financial instruments – assets	112	21	(21)
Derivative financial instruments – liabilities	(52)	28	(28)
Loans and advances to customers	120	2	(3)
Total	**212**	**64**	**(58)**

Reasonable alternative assumptions applied take account of the nature of valuation techniques used, as well as the availability and reliability of observable proxy and historic data. The scenarios applied are considered for each product and varied according to the quality of the data and variability of the underlying market.

MANAGEMENT

Our business is under the control of our Board of Directors. Each director is elected annually by the members. The executive directors are the Chief Executive and the Chief Financial Officer. All other directors are non-executive directors. The business address of all of the directors and officers is Nationwide House, Pipers Way, Swindon SN38 1NW, England.

Under our rules, the Board of Directors must consist of not less than eight directors of whom not less than five must be present at a Board meeting to form a quorum.

No potential conflicts of interest exist between any duties to us, as Issuer, of the persons on the Board of Directors and their private interests or other duties.

Management and Director Changes

Tim Tookey stepped down as a Non-Executive Director at the Society's Annual General Meeting held on July 14, 2022.

Tracey Graham was appointed as a Non-Executive Director on September 28, 2022 and assumed the role of Remuneration Committee Chair from Mai Fyfield on January 1, 2023.

Gunn Waersted was appointed Senior Independent Director on February 1, 2023.

On September 28, 2022, the Society announced that Mai Fyfield will retire from the Society at the Annual General Meeting in July 2023. On May 26, 2023, the Society announced that Sally Orton would be joining the Board with effect from June 1, 2023. On May 26, 2023, the Society further announced that Gunn Waersted would retire from the Board at the Annual General Meeting in July 2023 and that Tracey Graham would be appointed Senior Independent Director, subject to regulatory approval.

Directors

The following table presents information with respect to current directors:

Name	Date of Birth	Position	Other Directorships
Debbie Crosbie	March 30, 1970	Chief Executive Officer	SSE plc UK Finance
Chris Rhodes	March 17, 1963	Chief Financial Officer	Arkose Funding Limited Derbyshire Home Loans Limited E-Mex Home Funding Limited Jubilee Mortgages Limited NBS Ventures Management Limited FN1 LBS Mortgages Limited Nationwide Housing Trust Limited Nationwide Syndications Limited Silverstone Securitisation Holdings Limited The Mortgage Works (UK) plc UCB Home Loans Corporation Limited
Mai Fyfield	May 3, 1969	Non-Executive Director	ASOS plc BBC Commercial Limited Roku Inc The Football Association, Premier League Limited
Kevin Parry	January 29, 1962	Chairman	Daily Mail and General Trust plc KAH Parry Limited

Name	Date of Birth	Position	Other Directorships
			The Royal London Mutual Insurance Society Limited
Gunn Waersted	March 16, 1955	Senior Independent Director	Petoro AS Telenor ASA Lukris Invest AS Fidelity International (Bermuda) Obton AS
Albert Hitchcock	January 16, 1965	Non-Executive Director	Pureprofile Limited
Phil Rivett	June 27, 1955	Non-Executive Director	Standard Chartered Plc Standard Chartered Bank
Tamara Rajah	August 24, 1982	Non-Executive Director	Live Better With Limited London & Partners Limited
Debbie Klein	August 10, 1968	Non-executive Director	Xyon Health Inc
Alan Keir	October 16, 1958	Non-executive Director	Majid Al Futtaim Holdings LLC Majid Al Futtaim Capital LLC Majid Al Futtaim Trust Sumitomo Mitsui Banking Corporation
Gillian Riley	December 6, 1967	Non-executive Director	St Michael's Hospital Foundation Tangerine Bank Roynat Capital Inc.
Tracey Graham	July 20, 1965	Non-executive Director	Close Brothers Group plc DiscoverIE plc Link Scheme Ltd
Sally Orton	March 5, 1970	Non-executive Director	GAM Holding AG GAM (Switzerland) Holding AG

Biographies

Kevin Parry OBE

Chairman

Kevin Parry is a chartered accountant and brings to the Board expertise in audit, regulation, risk management, and finance. As a former Chairman of the Homes and Communities Agency, his perspective on housing is a valuable asset to the Society.

He has a wealth of experience across a broad range of organisations. He has served as Chairman of Intermediate Capital Group plc and Senior Independent Director of Standard Life Aberdeen plc as well as having been the Chief Financial Officer of Schroders plc and the Chief Executive Officer of Management Consulting Group plc. In addition, he is a former trustee and Chairman of the Royal National Children's Springboard Foundation.

Current external positions include:

Chair, The Royal London Mutual Insurance Society Limited

Non-executive director and Chair of the Audit and Risk Committee, Daily Mail and General Trust plc

Director, KAH Parry Limited

Previous positions include:

Chair, Intermediate Capital Group plc

Trustee, Royal National Children's Springboard Foundation

Chief Financial Officer, Schroders plc

Chief Executive Officer, Management Consulting Group plc

Managing Partner, Information Communications and Entertainment, KPMG LLP

Senior Independent Director, Standard Life Aberdeen plc

Debbie Crosbie

Chief Executive Officer

Debbie Crosbie joined Nationwide as CEO in June 2022. She has over 25 years of experience in financial services leadership. She was previously CEO at TSB where she led its successful turnaround by delivering a strategy to transform customer experience, made the bank more competitive, improved its reputation and increased colleague engagement – delivering the three-year growth strategy a year early. Prior to TSB, she had extensive experience of leading turnaround strategies and, while Acting CEO of Clydesdale Bank, led preparations for its successful demerger and subsequent Initial Public Offering. She has overseen the execution of several major transformation projects.

Current external positions include:

Non-executive Director, SSE plc

Member of the FCA's Practitioner Panel

Board Member, UK Finance

Previous positions include:

CEO, TSB plc

Group Chief Operating Officer and Executive Director, CYBG

Chris Rhodes

Chief Financial Officer

Chris Rhodes was appointed Chief Financial Officer in October 2019, having previously been a Board member since 2009. He is a chartered accountant with over 30 years' experience in retail and commercial banking, holding senior leadership roles across finance, treasury, operations, retail distribution and risk management. His previous positions include Group Finance Director of Alliance and Leicester Group, Board Director at Visa Europe and Deputy Managing Director for Girobank.

He has been a Director of the Lending Standards Board and a Trustee of National Numeracy. His broad background means he has a deep understanding of the Society and the mutual business model, and he is ideally placed to oversee the long-term financial stability of the Society, ensuring the Society continues to invest for the future on behalf of its members.

Current external positions include:

Arkose Funding Limited

Silverstone Securitisation Holdings Limited

Previous positions include:

Trustee, National Numeracy

Director, Lending Standards Board Limited

Group Finance Director, Alliance and Leicester Group

Deputy Managing Director, Girobank

Board of Director, Visa Europe

Mai Fyfield

Non-Executive Director

Mai Fyfield combines her experience as an economist and strategist with considerable commercial experience to guide the Board's strategic thinking and assessment of new opportunities and initiatives. She was Chief Strategy and Commercial Officer at Sky until October 2018, where she led strategy and commercial partnerships across the Sky Group plc. During her nearly 20 years at Sky she was a key player in the growth and diversification of the business. Mai is a champion of diversity and helping women succeed in senior management and Board positions.

Current external positions include:

Non-executive director, Roku Inc.

Non-executive director, Asos Plc

Non-executive director, BBC Commercial Limited

Non-executive director, Football Associations, Premier League Limited

Previous positions include:

Director, Jupiter Entertainment

Chief Strategy and Commercial Officer, Sky Group plc

Gunn Waersted

Non-Executive Director

Gunn Waersted's distinguished international career has included senior leadership positions in financial services, telecommunications and petrochemicals. She previously served as Group Executive Vice President at Nordea Bank Group and Global Head of Wealth Management, and was CEO of Nordea Bank Norway. In addition, she was CEO at SpareBank Group and Vital Forsikring and a non-executive director of Statkraft, Statoil. She brings to the Board vast experience of driving large-scale operational change, cultural change and digital transformation programmes to improve customer experience. She is a strong advocate of the need for a strong people culture and creating genuinely diverse organizations.

Current external positions include:

Chair, Telenor ASA

Chair, Petoro AS

Non-executive director, Fidelity International.

Non-executive director, Obton AS

Previous positions include:

CEO, Wealth Management Division, CEO of Nordea Bank Norway and

Executive Vice President at Nordea Bank Group

CEO, Vital Forsikring and Executive Vice President of DnB

Chair, Ferd and BI

Non-executive director, Statkraft, Statoil

CEO, Sparebank 1 Group

Non-executive director, Saferoad Holding ASA

Albert Hitchcock

Non-Executive Director

Albert Hitchcock is a leader in information technology with over 30 years in the technology industry. His experience is of huge value to the Society as we continue our ambitious transformation programme to meet the expectations of our members today and in the future.

He was previously a technology advisor to the Board of the Royal Bank of Scotland plc and has held executive positions as a Group Chief Information Officer at Vodafone plc and Nortel Networks. He was previously Chief Technology and Operations Officer of Pearson plc.

Current external positions include:

Non-executive Director, Pureprofile Ltd

LLP Member, Cumberland House BPRA Property Fund LLP

Previous positions include:

Technology Advisor to the Board, Royal Bank of Scotland plc

Group Chief Information Officer, Vodafone plc

Global Chief Information officer, Nortel Networks

Chief Technology and Operations Officer, Pearson plc

Philip Rivett

Non-Executive Director

Phil Rivett is a chartered accountant with over forty years' experience of professional accountancy and audit, with a focus on banks and insurance companies. He has a wealth of experience advising major financial services providers in the UK and on a global basis; he has held various senior positions at PricewaterhouseCoopers LLP and was Chair of its Global Financial Services Group prior to retiring from the firm. He has an exceptional leadership track record, advocating a collaborative and inclusive approach.

Current external positions include:

Non-executive director and Audit Committee Chair, Standard Chartered Plc

Previous positions include:

Global Chair, Financial Services Group, PricewaterhouseCoopers LLP

Tamara Rajah

Non-Executive Director

Tamara Rajah has extensive experience in entrepreneurial ventures and technology and ran an award-winning, venture capital backed global consumer healthcare platform. She has published widely on high growth entrepreneurship and was formerly a non-executive director of the ScaleUp Institute Limited and Entrepreneur First Operations Limited. Prior to launching her own company Tamara was one of the youngest partners at strategy firm McKinsey where she spent a decade in the healthcare practice and led McKinsey's knowledge and client work on entrepreneurship and technology clusters in life sciences, digital and technology. She brings to the Board vast experience of digital transformation, entrepreneurship and innovation.

Current external positions include:

CEO and Director, Live Better With Limited

London & Partners Limited (Chair)

Chief Business & Science Officer, MD Wellness Futures of Holland & Barrett Limited

Previous positions include:

Partner, McKinsey & Co

Scale Up Institute

Debbie Klein

Non-Executive Director

Debbie Klein has extensive experience in commercial brand and marketing roles. She is Group Chief Marketing, Corporate Affairs and People Officer at Sky, where her remit includes responsibility for overall brand and marketing development, as well as leading corporate communications, public affairs, internal communications, and human resources. She is also responsible for Sky's corporate social responsibility (CSR) programme, leading Sky's challenge to meet its 2030 net zero goals approved by the Science Based Targets Initiative. Her expertise in sustainability and CSR matters assists in building Nationwide's future Environmental, Social and Corporate Governance (ESG) agenda.

She was previously Chief Executive Europe and Asia Pacific at The Engine Group, an integrated marketing services business, and held various leadership roles in her 20 years at the firm. Earlier in her career she worked in Strategy and Insight at Saatchi & Saatchi and Nielsen.

Current external position:

Group Chief Marketing, Corporate Affairs and People Officer, Sky

Non-executive Director, Xyon Health Inc

Alan Keir

Non-Executive Director

Alan Keir is an experienced banker who began his non-executive career when he retired as a Group Managing Director and CEO of EMEA at HSBC in 2016, where he had been leading the operations in 30 countries, including the UK home market. He has extensive experience in a full range of banking activity, including retail branches and investment banking. His expertise in the retail and commercial banking sector, and his proven track record of delivering a successful commercial banking strategy whilst redefining the culture and values of a large organisation, assist the Board in setting and delivering strategic performance. He was previously on the Board of HSBC Bank plc as a non-executive director between 2018 and 2021.

Current external positions include:

Chair and Chairman of Nomination and Remuneration Committees, Sumitomo Mitsui Banking Corporation Bank International plc

Non-executive Director and Chair of Audit and Risk Committee, Majid Al Futtaim Previous positions include:

HSBC Bank plc (Non-Executive Director)

Gillian Riley

Non-Executive Director

Gillian Riley is a senior banker with an accomplished track record in consumer and commercial banking at Bank of Nova Scotia, which is Canada's third largest bank. Since 2018, she has been President and CEO of its subsidiary, Tangerine Bank, which she evolved from being a digital deposits bank to an everyday digital bank that is profitable and has a full suite of banking solutions which consistently wins awards for its client satisfaction. She also previously founded The Scotiabank Women Initiative to strengthen equality and support for women entrepreneurs. She is a champion for diversity and community values, contributing in areas such as health, youth issues and gender equality.

Current external positions include:

President and CEO, Tangerine Bank

Chair, Non-executive Director, Roynat Capital Incorporation

Non-executive Director, St Michael's Hospital Foundation

Tracey Graham

Non-Executive Director

Tracey Graham is an experienced non-executive director having served on several listed companies and mutual boards across a range of sectors, including financial services. She has extensive experience as a remuneration committee chair and as a senior independent director.

She was Chief Executive Officer of Talaris Limited, an international cash management business. Before that she held a number of senior roles in De La Rue plc, HSBC and at AXA Insurance.

Current external positions include:

Non-executive Director, Close Brothers Group plc

Non-executive Director, DiscoverIE Group plc

Non-executive Director, LINK Scheme Ltd

Previous positions include:

Non-executive Director, Ibstock plc

Non-executive Director Royal London Mutual Insurance Society

Sally Orton

Non-Executive Director

Sally Orton is a dual qualified chartered accountant in Australia and the UK, with a career spanning 30 years in financial services and professional services, bringing to the Board expertise in audit, regulation and finance. She's currently Group Chief Financial Officer (CFO) at GAM Holding AG and has previously held CFO roles at LCH Ltd (part of the London Stock Exchange Group) and Howden Broking Group. Sally started her career at KPMG in Australia, moving to London in 1997 to join the Banking and Capital Markets industry groups of PwC and then EY. She will join the Nationwide Board and will be a member of the Audit Committee with effect from Thursday 1 June.

Current external positions include:

Group Chief Financial Officer, GAM Holding AG

Non-executive Director, GAM (Switzerland) Holding AG

Court Member, Worshipful Company of Chartered Accountants in England and Wales

Member, ICAEW Investment Management Committee

Board Trustee, Charity of the Worshipful Company of Chartered Accountants in England and Wales

Committees of Our Board of Directors

Our **Board of Directors** operates through its meetings and through its five main committees, the Audit Committee, the Nomination and Governance Committee, the Remuneration Committee and the Board Risk Committee. To the extent that matters are not reserved to our Board of Directors, responsibility is delegated to the Chief Executive Officer, who is assisted by the Executive Committee (Exco) and the Executive Risk Committee.

The **Audit Committee** provides oversight and advice to the Board in respect of among other things, financial reporting, financial crime, internal and external audit, and the adequacy and effectiveness of internal controls and risk management systems.

The purpose of the **Nomination and Governance Committee** is to assist the Chairman in keeping the composition of the Board under review, making recommendations to the Board on succession planning, executive level appointments and leading the appointments process for nominations to the Board. The Committee oversees the implementation of the Society's Inclusion and Diversity strategy and objectives. It also reviews the Board's governance arrangements and makes recommendations to the Board to ensure that the arrangements are consistent with best practice.

The **Remuneration Committee** is responsible for determining and agreeing with the Board the framework or broad policy for remuneration of the Chairman, the directors and other senior executives of the Society including employees who are identified as material risk takers under the PRA Remuneration Code. It determines, within the terms of the agreed policy, the specific remuneration packages for these roles. The Committee also reviews the ongoing appropriateness and relevance of the remuneration policy across the rest of Nationwide.

The purpose of the **Board Risk Committee** is to provide oversight and advice to the Board in relation to current and potential future risk exposures and future risk strategy, including determination of risk appetite. In addition, the Committee is responsible for monitoring compliance oversight, and the effectiveness of the Enterprise Risk Management Framework ("**ERMF**"). It also advises the Remuneration Committee on any risk adjustments to be made, including risk appetite, risk monitoring, and risk adjustments to remuneration.

Management Committees

The **Executive Committee** is our key operational committee which oversees the day-to-day operations of our business. This Committee meets weekly, reviews all matters that are to be presented to the Board of Directors, and is composed of our Chief Executive Officer, Chief Financial Officer and the Society's senior leadership team (this includes the Chief Internal Auditor who is an attendee of the Committee).

The **Weekly Heartbeat Committee** reports to the National Leadership Team and reviews the end-to-end performance of our product and service propositions and agrees actions in order to meet the organization's strategic objectives. The Committee's membership is wide ranging and comprises of senior leaders from across the Society including the second line.

The **Executive Risk Committee**, which meets on average once a month, is responsible for ensuring a coordinated approach across all risks and oversight of the risk committees. The Committee's membership comprises the CEO, the CFO and a number of other members of the NLT. It is chaired by the Chief Risk Officer. The risk committees comprise the:

- ALCO (Assets and Liabilities Committee);
- Credit Committee
- Model Risk Oversight Committee (formerly Risk Oversight Committee); and
- Conduct and Operational Risk Committee.

ALCO determines and amends the Society's approach to financial risk and sets thresholds for endorsement by the Executive Risk Committee and approval by the Board. It manages the financial risk profile of the Society in accordance with the Enterprise Risk Management Framework, Board Risk Appetite, Society Strategy and the Financial Plan.

ALCO comprises the Chief Financial Officer (Chair), Chief Executive Officer, Chief Risk Officer, Director of Treasury, Director of Retail, Director of Mortgages and Financial Wellbeing and Director of Retail Products. For more information about ALCO, see the section entitled "*Financial Risk Management*."

The **Credit Committee** is responsible for determining and amending the Society's attitude to lending risk and set thresholds for endorsement by the Executive Risk Committee and the Board Risk Committee. It also manages the lending risk profile of the Society in accordance with the Enterprise Risk Management Framework, Board Risk Appetite, Society Strategy and the Financial Plan.

The Committee's membership comprises the Chief Credit Officer (Chair), Chief Risk Officer, Chief Financial Officer, Head of Secured Credit Risk, Head of Unsecured Credit Risk, Director of Mortgages and Financial Wellbeing, Head of Credit Risk Management, Director of Modelling, Head of Collections and

Recoveries. For more information about the Credit Committee, see the section entitled "*Financial Risk Management—Credit risk*."

The **Model Risk Oversight Committee** is responsible for overseeing the model risk profile of the Society, assessing whether models are fit for purpose and reviewing and challenging the Society's 1st Line use and management of models to manage the risk.

The Committee is comprised of the Head of Model Risk Oversight: Credit, Head of Model Risk Oversight; Finance & MRM, Head of Market, Liquidity and Solvency Risk; Head of Business Risk Oversight, Head of Credit Risk Management, Head of Balance Sheet Reporting and Forecasting, Head of Provision Reporting and Head of Balance Sheet Risk Framework and Modelling.

The **Conduct and Operational Risk Committee** is responsible for monitoring the Society's actual and future operational, regulatory and conduct risk appetite and profile to ensure alignment with strategy, business objectives, risk and corporate culture and values and approving test plans, monitor performance plans and monitoring first, second and third line identified controls through Management Risk Appetite (MRA).

The Committee's membership comprises the Chief Operating Officer (Chair), Director of Mortgages and Financial Wellbeing, Director of Operations and Service Delivery, Chief Customer, Brand and Engagement Officer, Director of Retail.

Compensation

For the year ended April 4, 2023 the aggregate amount of compensation that we paid to the Executive Directors on the Board as a group totaled £5.133 million. In April 2014 we introduced an annual performance pay plan for Executive Directors with awards subject to deferral periods of up to five years on some elements and that only pays out if performance targets are met under a broad range of individual, strategic and financial corporate metrics. For performance periods commencing from April 2016 onwards, the time horizon for payments of awards was extended in response to changing regulatory requirements, such that awards are deferred for between three and seven years. For the year ended April 4, 2023 we introduced a long-term performance pay plan for Executive Directors that will only pay out if sustainable long-term performance targets linked to financial and strategic objectives are met. Minimum regulatory deferral requirements apply across combined performance pay awards. The Remuneration Committee sets the performance targets under both the annual and long-term plans each year. For the year ended April 4, 2023, the maximum combined award opportunity under both plans for the current Chief Executive and Chief Financial Officer was 200% of base salary. The maximum annual performance pay award opportunity for the former Chief Executive was 152% of salary paid during the year.

In addition, executive directors receive other benefits including a car allowance, access to shared drivers when required, healthcare, and insurance benefits.

Directors' Loans

As at April 4, 2023, we had loans to directors or persons connected to directors totaling £0.2 million. All of these loans were granted in the normal course of business and were largely made up of residential mortgage loans and balances on credit cards. While Nationwide previously offered directors and other employees' discounts on residential mortgage loans, these offers have been ceased. Some such loans originated before the offer cessation date may still be extant.

We maintain a register containing the details of all loans, transactions and other arrangements made between our directors (and persons connected with our directors) and Nationwide or its subsidiaries. This register is available for inspection at our annual general meetings and during normal business hours at our principal office during the 15 days prior to our annual general meeting.

Management Employee Pension Schemes

Executive directors (Debbie Crosbie and Chris Rhodes) receive a cash allowance in lieu of pension.

Related-Party Transactions

For information on transactions with related parties, see note 35 to our audited condensed consolidated financial statements incorporated by reference herein.

COMPETITION

Industry Background

Our main competitors are the five largest UK banking groups. In addition we also compete with a range of other smaller banks, with other building societies and with insurance companies. In recent years, new competitors have emerged in all areas of the UK personal financial services market where evolving technology and innovation have widened the range of competitive threats. A description of the traditional types of organizations with which we continue to compete as well as a description of certain new competitors is set forth below.

Major UK Banks

The UK financial services market is dominated by the five largest banking groups, namely Lloyds Banking Group, NatWest Group, Barclays, HSBC and Santander UK. These are our principal competitors in our core mortgages, savings and personal account markets.

In the recent past, prior to the coronavirus pandemic, mortgage competition was being driven by certain ring-fenced banks as they deployed surplus liquidity in lending markets. They had a further advantage from the lower cost of their deposits which stemmed from their significant market shares in low/zero cost transactional balances associated with personal current accounts. The COVID-19 pandemic has accentuated this advantage, with the growth in retail deposits due to changes in customer behavior accruing in the ring-fenced banks, enhancing excess liquidity advantages.

In personal current accounts, and their associated non-rate-sensitive deposit balances, the scale of the existing customer bases and strategic investment programs of these banks makes them prime competitors.

Smaller UK Banks

We also compete with a series of smaller UK banks that have emerged as challengers to the industry leaders (e.g. TSB, Virgin Money, Co-op Bank and Metro Bank). While typically relatively small, some of these banks have sought rapid expansion via aggressive pricing, low cost operating models and by use of digital and intermediary distribution aided by the absence of legacy IT and other issues. However, they have been unable to offset the scale advantages of the largest banks.

Building Societies

Over the past 30 years, many building societies have merged with other building societies or, in a number of cases, transferred their businesses to the subsidiary of another mutual organization or demutualized and transferred their businesses to existing or specially formed banks. As a result, the number of building societies in the United Kingdom has fallen from 137 in 1985 to 43 as at April 4, 2022. Building societies today continue to hold an important share of the UK mortgage and savings market. For further information about the UK residential mortgage market and UK retail deposit market see below.

UK Insurance Companies

The UK insurance industry is dominated by large general and life insurance companies originating a range of products, distributed through building societies, banks, direct sales forces and independent financial advisors.

Other Competitors

A number of large retailers sell financial services to their customers, often through cooperation arrangements with existing banks and insurance companies. Retailing groups, namely Tesco and Sainsbury, have entered the market as manufacturers of financial service products in their own right. In addition, foreign banks, investment banks, insurance and life assurance companies have at various times been active in UK personal

financial services, particularly the mortgage and retail savings markets, and a number of companies have expressed a desire to enter the market. In recent years, two US global banks, JPMorgan Chase and Goldman Sachs have entered the UK banking market, with digital only subsidiaries, Chase UK and Marcus respectively.

The growth of internet price comparison sites has enabled consumers to have access to information that has increased price competition particularly in certain insurance markets. Online automated advice is likely to have an increasing impact on investment and protection markets. Companies are using low cost telephone, internet and mobile distribution channels to offer competitively priced retail savings accounts, mortgages and other financial products. The internet and mobile communications technology provide opportunities for further competition from organizations from outside the traditional banking sector. This includes new banks specifically providing mobile-phone based banking (e.g. Starling, Atom and Monzo) and large technology companies either already using their core businesses as a platform for financial services, particularly in the payments arena, or being in a strong position to do so in the future should they choose to (e.g. the so-called Tech Giants). The continued development of the intermediary sector also allows new entrants to gain access to the UK mortgage market and increase price based competition on larger mortgage lenders. Competition regulation has and may eventually further assist potential entrants if it enforces the breakup of some of the larger participants or the sale of those in public ownership.

The UK Residential Mortgage Market

The table below sets out information for the last three years concerning year-end balances of UK lending secured on residential property and the proportions held by building societies, banks and us:

Year ended December 31,	Total Balances[(1)]	Banks & Building Societies[(1)]	Others	Our share of total UK residential mortgages[(1)]
		(£ billion, except percentages)		
2022	1,628.1	89.1%	10.9%	12.3%
2021	1,564.8	89.0%	11.0%	12.4%
2020	1,501.1	88.6%	11.4%	12.6%

Note:

(1) *Source*: Bank of England, except for information regarding our balances which are taken from our own data. Building society figures include our own balances.

Although the overall size of the new mortgage market has shrunk considerably since 2007, the nature of competition is essentially unchanged, in that it involves defending the existing stock of balances and competing for the flow of new lending.

Competition for new lending remains fierce and is driven by first-time buyers or next-time buyers remortgaging, changing homes or extending their mortgages. During the first period of lockdown from March 2021 to June 2021, mortgage activity across the UK fell sharply as a result of the measures imposed by the UK government in response to the Covid-19 pandemic, and had since recovered strongly, particularly for house purchases. There has been a decline in the proportion of the UK population owning their own homes, from a peak of around 71% in 2003 to around 64% in 2021 (source: English Housing Survey). The aftermath of the global financial crisis is still evident in the mortgage market, with more limited credit availability at higher LTV ratios. This has been improving in recent years and though the pandemic initially led to increased caution amongst lenders, we have now seen a reintroduction of some high LTV products. For further information, see "*Risk Factors—Risks Related to Our Business—Changes to interest rates or monetary policy, whether by the UK, US or other central banking authorities, could affect the financial condition of our customers, clients and counterparties, which could in turn adversely affect us."* Competition is driven by a combination of price, risk profile and access to funding by lenders.

Our market share of gross advances of 11.8% during the year ended April 4, 2023 was slightly above the prior year (April 4, 2022: 11.1%).

The UK Retail Deposit Market

The UK retail deposit market is dominated by banks, building societies and NS&I. Below is a table breaking down the total UK retail deposit market by type of financial institution compiled from details published by the Bank of England:

Year ended December 31,	Total UK retail deposits[(1)]	Banks' & Building societies' share of total UK retail deposits[(1)]	Others[(1)]	Our share of total UK retail deposits[(1)]
		(£ billion, except percentages)		
2022	1,958.8	89.2%	10.8%	9.5%
2021	1,883.4	89.1%	10.9%	9.5%
2020	1,764.4	88.2%	11.8%	9.3%

Note:

(1) *Source*: Bank of England, except for information regarding our balances which are taken from our own data.

The UK retail deposit market has become an increasingly commoditized market driven primarily by price, particularly for the flow of new money that generally seeks the most attractive rates available. However the bank failures of 2007 and 2008 and the limits of the FSCS appear to have led some customers to spread their savings across a number of different companies. Older deposit balances have traditionally subsidized the cost of new retail deposits, primarily reflecting customer inertia.

In the last few years, competition for UK retail deposits has increased as new participants, such as foreign banks, supermarkets, insurance/life assurance companies and direct online banking providers have entered the market by offering attractive rates of interest. These new entrants have caused the cost of attracting new retail deposits to increase for existing players in the market and have impacted the flow of new retail deposits.

We believe that increased consumer awareness driven by the press and increased competition has created potentially greater volatility of retail deposit balances both between different organizations and between different accounts within organizations. This, in turn, has resulted in a reduction in the differential between rates paid to existing and new balances as customers transfer to high rate accounts and organizations aim to retain existing balances.

Our deposit balances grew by £9.1 billion in the year ended April 4, 2023 and we increased our market share of deposit balances to 9.6% (April 4, 2022: 9.4%), which reflected the competitiveness of our savings products.

Competitive Outlook

Prior to the coronavirus pandemic, while some weaknesses remained, the major banks had largely completed the process of financial repair upon which they embarked following the financial crisis. The end of significant costs for PPI customer redress and the completion of costly and disruptive ring-fencing re-organization had also left this group better able to compete and in recent years the major banks had begun to compete more aggressively.

With the onset of the Covid-19 pandemic, despite the availability of cheap Bank of England funding, the sharp fall in Base Rate has compressed the net interest margins of the ring-fenced banks, which, with their cost of deposits already very low, are left with less scope than other competitors to widen deposit spreads. In contrast, after the Covid-19 pandemic, with the outlook for Base Rate increases, ring-fenced banks will enjoy an uplift to

net interest margins, given the high proportion of 0% rated current account funding. Given the ring-fenced banks' large corporate and consumer finance loan exposures, the cost of living crisis may lead to increased credit losses, although investor guidance suggests the credit environment remains benign. As such, competitive pressure will remain high, with higher deposit income from the ring-fenced banks ensuring the mortgage pricing environment remains difficult, given high volume appetite from banks with meaningful levels of excess liquidity.

Competition for personal current accounts also looks set to remain intense as regulatory measures to allow customers to switch provider more easily are accompanied by increased appetite by providers to grow, or at least maintain, a current account base as a driver of active customer relationships. Investment in new digital capabilities will continue at high levels, as major participants look to compete digitally against their existing peers and to frustrate newer entrants and fintech innovators as they urgently seek to establish a volume base to secure their financial viability.

SUPERVISION AND REGULATION

Regulatory environment

Our principal regulators are the PRA and the FCA.

The PRA has three statutory objectives: (i) to promote the safety and soundness of the firms which it supervises; (ii) with respect to insurers, to contribute to the securing of an appropriate degree of protection for policyholders; and (iii) a secondary objective to facilitate effective competition. The PRA's regulatory and supervisory approach incorporates three key characteristics: to take a judgement-based approach, a forward-looking approach and a focused-approach.

The FCA has a strategic objective to ensure that the relevant markets function well. In support of this, the FCA has three operational objectives: to secure an appropriate degree of protection for consumers; to protect and enhance the integrity of the UK financial system and to promote effective competition in the interests of consumers.

We operate in a heavily regulated environment, which continues to evolve. Certain elements of the regulatory environment which continue to attract regulatory focus are set out below; however, this does not purport to be a comprehensive overview of the regulatory regimes in which we operate.

Operational Resilience

The PRA has indicated that operational resilience is a high priority for the PRA, and an area on which the financial services industry needs to focus and improve.

Our regulators require firms and Financial Market Infrastructures ("**FMIs**") to identify their important business services that, if disrupted, could cause intolerable levels of harm to consumers or market integrity, threaten the viability of firms or cause instability in the financial system. Impact tolerances should be set for each important business service and firms and FMIs should take actions to be able to remain within their impact tolerances through a range of severe but plausible disruption scenarios. Firms and FMIs are expected to identify and document the people, processes, technology, facilities, and information that support their important business services. The policy requires boards and senior management to approve the important business services identified for the firms and the impact tolerances set. Boards are expected to ensure they have the appropriate management information, adequate knowledge, skills and experience to provide constructive challenge to senior management and informed decisions that have consequences for operational resilience.

The FCA has also published rules and guidance which require that:

- firms must have identified their important business services, set impact tolerances for the maximum tolerable disruption and carried out mapping and testing to a level of sophistication necessary to do so. Firms must also have identified any vulnerabilities in their operational resilience; and

- as soon as possible after March 31 2022, and no later than March 31, 2025, firms must have performed mapping and testing so that they are able to remain within impact tolerances for each important business service. Firms must also have made the necessary investments to enable them to operate consistently within their impact tolerances.

We achieved compliance on March 31, 2022 by completing and submitting its first regulatory self-assessment to the FCA and PRA. Following this first milestone, we are now required to mature and develop its operational resilience by March 31, 2025. We recently refreshed its operational resilience strategy for the next 3 years in order to meet this second milestone, which has now been approved by its Board of Directors.

The Financial Policy Committee ("**FPC**") has also undertaken work in this area, with a particular focus on cyber risk. The PRA invited a number of firms to take part in a voluntary cyber stress test that took place in

2022. The PRA released its thematic findings from this cyber stress test on March 29, 2023. The PRA emphasized in these findings that it expects firms to be assessing their cyber risks, vulnerabilities and dependencies proactively through testing, and planning mitigating action accordingly. The Operational Resilience Working Group of the Basel Committee on Banking Supervision (the "**Basel Committee**") has also focused on cyber resilience, and has stated that financial institutions' cyber resilience processes should remain vigilant in order to identify and protect vulnerable systems, and should be able to detect and respond to cyber attacks and help the institution recover from them. The Basel Committee has published 'Principles for operational resilience' as well as 'Principles for the sound management of operational risk'.

Impact of Brexit

On January 31, 2020, the UK ceased to be a member of the EU and the EEA. On December 24, 2020, an agreement in principle was reached in relation to the Trade and Cooperation Agreement, to govern the future relations between the EU and UK following the end of the transition period. The Trade and Cooperation Agreement does not, however, create a detailed framework to govern the cross-border provision of regulated financial services from the UK into the EU and from the EU into the UK.

The Trade and Cooperation Agreement is accompanied by the non-binding Joint Declaration committing the UK and the EU to cooperation in matters of financial regulation such as requirements for reporting under MiFID II, certain MAR requirements and the UK binding technical standards on strong customer authentication among others. The Joint Declaration was facilitated by a memorandum of understanding, agreed on March 26, 2021, establishing the framework for this cooperation.

Following the end of the transition period, the EUWA provided that certain existing EU legislation which had direct effect in the UK was retained in UK law as well as existing UK laws which implemented EU obligations. The Government was given powers to amend this retained EU legislation so that it works effectively when the UK left the EU. The Government has used this power to make numerous statutory instruments which amended retained EU financial services legislation. The Government's intention was that the same rules and laws apply at the point the transition period ends, as far as possible, but with the necessary amendments to reflect the UK's position outside the EU.

The Government has also conferred on the UK financial regulators (that is, the FCA, the Bank of England and the PRA) responsibility for amending and maintaining certain EU-binding technical standards which were retained in UK law at the end of the transition period. These technical standards specify detailed requirements for the purposes of various EU regulations and directives. In addition, the FCA and the PRA have amended their rules and regulations to ensure that these are consistent with the changes that the Government made to retained EU law and so that it still works effectively following the end of the transition period.

Now that the transition period has ended, our preparations have allowed it to comply with the new rules and regulations which took effect from January 1, 2021. Changes implemented within the Society as a result of Brexit were spread across several organisational areas with primary activity occurring within the Product teams.

Under the terms of the EUWA, EU legislation that was adopted but did not apply prior to the end of the transition period (such as provisions being phased in under the EU Banking Reform Package, as defined below) and legislative proposals that were in negotiation but not adopted before the end of the transition period are out of scope of the EUWA. This means these legislative measures that were not a requirement at the end of the transition period do not and will not apply in the UK unless these are separately implemented by the Government or regulators.

The continuing effects of the UK's departure from the EU are difficult to predict and there remains both short-term and long-term political and economic uncertainty around the departure that may have a negative impact on the UK economy, affecting its growth. Accordingly, no assurance can be given that the UK's withdrawal from the EU will not adversely affect us, our financial condition and results of operations and/or the market value and/or the liquidity of the Notes.

Market Competition

In light of certain concerns around pricing in the cash savings and insurance market as well as mortgages for existing customers versus new customers (the so-called "loyalty penalty"), the CMA and FCA have conducted a number of investigations and issued several recommendations.

On September 22, 2020, the FCA published the final report of its market study, proposing significant reform of these markets through measures which seek to enhance competition, ensure consumers will receive fair value, and increase trust in these markets. The reforms proposed by the FCA include that, when a customer renews their home or motor insurance policy, the relevant customer should pay no more than they would if they were new to the provider through the same sales and channels. The FCA also issued a consultation paper considering other new measures to further boost competition and deliver fair value to all insurance customers. These include proposed new product governance rules, additional reporting requirements and rules on making it simpler to stop automatic renewals across all general insurance products. The consultation closed on January 25, 2021. On March 23, 2021, the FCA published a statement on the consultation noting that, although it had not yet reached a final decision on what rule changes if would make, it expected firms to implement the systems and control and product governance changes by September 2021, and pricing and auto-renewal remedies by the end of 2021.

In addition, the UK regulators have in recent years implemented an initiative referred to as "Open Banking", the aim of which is to create more transparency and fairness in the UK banking and financial services market through greater competition and innovation. Open Banking requires financial institutions and account servicing payment service providers to provide registered third party organisations with account information to be able to initiate payment where the consent of the customer or member is provided, and also to make public and openly share their product information, as well as customer satisfaction scores and other service level indicators. This makes it possible for consumers to share their account information more easily with third parties online, allows third parties to initiate payments directly from a person's account as a bank transfer as an alternative to credit or debit card payments, and enables customers or such third party providers to more easily compare products offered by different institutions. This offers the prospect of an enhanced banking experience for the customer – for example, third party providers could offer comparison and switching services to help customers identify the best financial products for them and, more recently introduced, enable customers to automate management of their finances to some degree, such as authorising third party providers to transfer their funds between their accounts on a regular and ongoing basis.

On February 7, 2023, the Treasury Select committee held an oral evidence session with four of the UK's major retail banks, amongst the topics raised in the hearing was competition within the savings and mortgage markets. Following the evidence session and increases in high street banks' net interest margins, the Treasury Select Committee wrote to the FCA asking for more information on the work the FCA are doing to ensure there is (a) effective competition in the markets for savings and mortgage products and (b) that banks were not relying on inertia to allow savings interest rates to rise at a slower pace than mortgage interest rates. The FCA responded to the Treasury Select Committee's letter on April 12, 2023. In their response to the Treasury Select Committee, the FCA stated that they are closely monitoring how retail banks and building societies pass through rate changes and stated that the new consumer duty represents a step change in how the FCA can ensure that the sector are focused on delivering good outcomes for consumers. The FCA further stated that they have been monitoring the speed and extent of retail banks and building societies' pass-through to their savings products following increases in the base rate and that they have challenged and sought further information from some outliers that had made relatively small increases to their variable rate savings products in 2022 and where they saw a material time lag in pass through to savings products relative to mortgages.

In a "Dear CEO" letter entitled "Implementing the Consumer Duty in the Retail Banks and Building Societies sector" dated February 3, 2023, the FCA emphasised the need for retail banks and building societies to provide fair value to retail customers, stating that: "there are important areas of retail banking where we previously made little or no intervention in questions of price and value, but which the Duty now brings sharply into focus. In other areas (eg overdraft fees and interest rates) we already have specific rules but the Duty will overlay these, especially in respect of monitoring and evidencing the customer outcomes resulting. Either way, firms should not

underestimate the new requirements of the Duty about fair value, the enhanced extent of our interest in this, or the high expectations we now have of the rigorous and balanced analysis with which firms should be able to support their assessments of fair value".

Money Laundering

We are subject to a number of measures targeted at preventing financial crime (including anti-money laundering ("**AML**") and counter-terrorism financing ("**CTF**") measures). The requirements continue to evolve, with recent years having seen several iterative updates of EU and UK laws targeting improving AML and CTF processes (including illicit activities related to cryptocurrencies). Following the UK's withdrawal from the EU, there is increased scope for divergence between the UK and EU regimes in the medium term.

Capital adequacy, prudential supervision and resolvability

The frameworks applicable to us for capital adequacy, prudential supervision and resolving failing financial institutions have been significantly overhauled in recent years, and continue to evolve. Certain elements of these regimes are outlined below.

Development of the prudential framework

Following the global financial crisis which commenced in 2007/8, the Basel Committee issued guidance on a number of fundamental reforms to the regulatory capital framework (such reforms are collectively referred to as "**Basel III**"), including additional capital requirements, higher capital ratios, more stringent eligibility requirements for capital instruments, leverage ratio requirements and liquidity requirements. The implementation of these reforms in the EU (and therefore the UK) commenced in 2014, with certain elements being phased in over time.

The Basel Committee has continued to progress its work on prudential requirements, with key additional reforms (which were finalised between 2010 and 2017, and are often referred to as "**Basel 3.1**") including:

- a revised standardised approach for credit risk, to improve the robustness and risk sensitivity of the existing approach;
- revisions to the internal ratings-based approach for credit risk, where the use of the most advanced internally modelled approaches for low-default portfolios will be limited;
- revisions to the credit valuation adjustment ("**CVA**") framework, including the removal of the internally modelled approach and the introduction of a revised standardised approach;
- a revised standardised approach for operational risk, which will replace the existing standardised approaches and the advanced measurement approaches;
- revisions to the measurement of the leverage ratio and a leverage ratio buffer for global systemically important banks ("**G-SIBs**"), which will take the form of a Tier 1 capital buffer set at 50% of a G-SIB's risk-weighted capital buffer; and
- an aggregate output floor, which will ensure that banks' risk-weighted assets ("**RWAs**") generated by internal models are, upon full implementation after a transitional period, no lower than 72.5% of RWAs as calculated by the Basel III framework's standardised approaches. Banks will also be required to disclose their RWAs based on these standardised approaches.

Work is ongoing in the EU and the UK to implement these Basel 3.1 reforms, with the implementation of certain of the reforms being delayed due to the Covid-19 pandemic. In particular, the RWA output floor reforms are now expected to be implemented in the EU and the UK over a five-year transitional period commencing on 1 January 2025. In the meantime, progress continues to be made in other areas, and the following changes (amongst others) were implemented in the UK with effect from January 1, 2022:

- revisions to the standardised approach for counterparty credit risk;
- a binding net stable funding ratio ("**NSFR**") (which requires credit institutions and systemic investment firms to finance their long-term activities (assets and off-balance sheet items) with stable sources of funding (liabilities) in order to increase banks' resilience to funding constraints); and
- introduction of disclosures for Interest Rate Risk in the Banking book into Pillar 3. This refers to the current risk to capital and earnings from adverse movements in interest rates that impact the banking book positions. When interest rates change, the present value and timing of future cash flows also alters.

Following the UK's withdrawal from the EU, the UK authorities are pursuing proposals to adapt the EU prudential legislation initially retained as UK law to better suit the UK's regulatory objectives, and to move a large part of the prudential requirements into the UK regulators' rulebooks, to provide additional flexibility. This is expected to lead to increased regulatory divergence between the EU and UK regimes over time.

Development of the resolvability framework

Alongside the prudential regime, considerable work has been done with the intention of ensuring that financial institutions which are failing or likely to fail can be resolved while minimising disruption to EU and UK financial services. These include developments with respect to resolution powers afforded to supervisory authorities to resolve a failing institution, as well as a focus on firms having the resources required to effectively utilise these powers (i.e. MREL and, for global systemically important financial institution, a total loss absorbing capacity ("**TLAC**") standard). See the risk factors section entitled "*The UK Banking Act 2009 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 or any Notes could materially adversely affect the value of any Notes and/or the rights of Noteholders*" and "*The Issuer is subject to wide-ranging regulatory action in the event that it is considered likely to fail and its failure poses a threat to the public interest*" above, and the section "*MREL and resolution strategy*" below, for further information.

The Bank of England and PRA have also established rules and policy in relation to the "Resolvability Assessment Framework" ("**RAF**"), under which the Bank of England and PRA will assess the readiness of UK banks and building societies for resolution. The framework is set out in a Bank of England Statement of Policy ("**SoP**") and the Resolution Assessment part of the PRA Rulebook (together with a PRA Supervisory Statement SS4/19). The Bank of England SoP only applies to UK firms, like us, with a bail-in or partial transfer resolution strategy.

The SoP specifies three "resolvability outcomes" which relevant firms must meet – (i) having adequate financial resources in the context of resolution, (ii) being able to continue to do business through resolution and restructuring, and (iii) being able to communicate and coordinate effectively within the firm and with authorities and markets so that resolution and subsequent restructuring are orderly. The new Resolution Assessment part of the PRA Rulebook applies to UK banks and building societies with £50 billion or more in retail deposits (so-called "**Major Firms**"), and requires them to assess their preparations for resolution and submit reports of their assessment to the PRA every two years. We are subject to this requirement and submitted our inaugural assessment in October 2021.

In addition, the Bank of England will make public statements regarding each Major Firm's resolvability; these may highlight perceived shortcomings where the Bank of England considers that the firm in question has more work to do to be resolvable. The Bank of England published its first assessment of the eight major UK banks' preparations for resolution under the RAF on June 10, 2022. The Bank of England identified one area of enhancement for us with respect to achieving the adequate financial resources outcome, related to funding in resolution capabilities in respect of the production of resolution-specific liquidity analysis. The Bank of England indicated it will continue to engage with us on this issue. The Bank of England continues to develop its policies

regarding its approach to assessing resolvability and ensuring operational continuity in resolution. Resolution continues to be a highly complex and important area for the UK regulators. All of the UK's largest firms were required to meet the resolution outcomes by January 1, 2022, with the exception of an updated policy on Operational Continuity in Resolution, which has an implementation date of January 1, 2023.

Our capital, leverage and MREL requirements

Risk-based capital requirements

Under the prudential framework as at the date of this Base Prospectus, we are required to hold a minimum amount of regulatory capital equal to 8% of its RWAs (the "**Pillar 1 requirement**"), plus certain additional CET1 capital buffers (the "**buffer requirement**"). Certain buffer requirements may be extended to credit institutions designated as 'global systemically important institutions'("**G-SIIs**") or 'other systemically important institutions' ("**O-SIIs**"). We are not presently designated as a G-SII but has been designated as an O-SII. The PRA has indicated that the O-SII buffer will be used to reflect an institution's domestic and global systemic importance, while a separate Systemic Risk Buffer ("**SRB**") will be used to prevent and mitigate macroprudential or systemic risks not otherwise covered by Pillar 1 requirements or the O-SII buffer.

Our total buffer requirement, as at the date of this Base Prospectus, is equal to 4.5% of RWAs (comprised of a capital conservation buffer of 2.5%, a counter-cyclical buffer of 1.0% and an O-SII buffer of 1.0%). From 5 July, 2023, the counter-cyclical buffer rate will rise to 2%. In December 2022, the PRA expects to set an O-SII buffer consistent with its statement of policy ('*The PRA's approach to the implementation of the systemic risk buffer*') and the FPC's framework for the systemic risk buffer. In doing so, the PRA will take account of the evolution in firms' balance sheets in response to Covid-19 and the extent to which they are temporarily inflated. The PRA is required to review O-SII buffer rates once a year, but barring unforeseen changes in circumstances, the 2022 review is not expected to result in any changes.

In addition, the PRA may impose additional individual capital requirements on us, which may comprise an add-on to the Pillar 1 requirement (the "**Pillar 2A requirement**") to address risks to us which the PRA considers are not adequately covered by Pillar 1 requirements, and/or an add-on to the buffer requirement (the "**PRA buffer**") to provide for additional capital buffers as a mitigation against future possible stress periods. The PRA presently requires that the level of the PRA buffer is not publicly disclosed. Our Pillar 2A requirements must be met with at least 56.25% CET1 capital, at least 75% Tier 1 capital and not more than 25% Tier 2 capital. Its PRA buffer requirements must be met solely with CET1 capital.

We may also decide to hold additional amounts of capital, as part of its risk and growth strategies.

As at April 3, 2023, our CET1 ratio was 26.5% and its total regulatory capital ratio was 32.7%.

Leverage-based requirements

As of January 1, 2022, the leverage ratio framework applicable in the UK was simplified into a single leverage exposure measure. This includes mandatory leverage requirements for in-scope firms (such as the Society), as well as a PRA supervisory expectation with respect to the risk of excessive leverage for firms not subject to a minimum requirement.

The leverage ratio framework is intended to mirror aspects of the risk-weighted capital requirement. The calculation determines a ratio based on the relationship between Tier 1 capital and total exposures (i.e. non-risk-weighted assets), including off-balance sheet items. The leverage ratio does not distinguish between unsecured and secured loans, nor recognise the ratio of loan to value of secured lending. As at the date of this Base Prospectus, the leverage ratio requirement is set at 3.25% of exposures excluding central bank reserve exposures. At least three-quarters of the leverage ratio requirement must be met with CET1 capital and up to one-quarter may be met with Additional Tier 1 capital.

In addition, the leverage ratio framework includes two additional buffers that are to be met using CET1 capital only: an Additional Leverage Ratio Buffer ("**ALRB**"), applying to the largest UK banks and building societies (including the Society) and set at 35% of the relevant firm's G-SII or O-SII RWA-based buffer, and a macro-prudential Countercyclical Leverage Buffer ("**CCLB**"), which is set at 35% of the corresponding risk-weighted countercyclical buffer (and rounded to the nearest 0.1%, with 0.05% being rounded up).

Our leverage ratio was 6.0% at April 4, 2023. Given the nature of our balance sheet, which is underpinned by residential mortgage assets with a low risk profile (as demonstrated by a low level of arrears compared to the industry average), our current binding capital constraint is based on leverage-based (rather than risk-based) capital requirements. Based on our current understanding of the proposed changes to risk-weights, and subject to final implementation, we currently expect that the leverage ratio will continue to be its binding capital constraint in the near-term.

RWA floors and IRB modelling

As noted above, the Basel 3.1 reforms include certain RWA output floor reforms, which are now expected to be implemented in the EU and the UK over a five-year transitional period commencing on January 1, 2025.

In addition, as of January 1, 2022, the PRA has implemented an exposure weighted average risk weight of at least 10% for all UK residential mortgage exposures to which a firm applied an IRB approach (excluding exposures classified as in default). The PRA considered, but elected against, implementing a minimum risk-weight expectation for individual mortgage exposures. It has, however, indicated that it will consider carefully the calibration of the incoming probability of default ("**PD**") and loss given default ("**LGD**") parameter floors for mortgage exposures as part of the PRA's implementation of the Basel 3.1 standards.

These reforms represent a re-calibration of regulatory requirements with no underlying change in the capital resources we hold or the risk profile of our assets. The final impacts are subject to uncertainty for future balance sheet size and mix, and the final detail of some elements of the regulatory changes remain at the PRA's discretion. As the models developed by us in response to the new policy statements are yet to be approved by the PRA, a model adjustment has been made to ensure outcomes are consistent with the revised IRB regulations. The impact of this adjustment was a significant increase in RWAs. In line with other industry participants, we continue to work with the PRA on the precise calibration of the revised IRB models. However, organic earnings through the transitional period are expected to mitigate the impact such that our reported CET1 ratio will in practice remain well in excess of the *pro forma* levels imposed by these changes, and we expect that leverage requirements will remain our binding capital constraint based on its latest projections. Whilst we currently expect that the leverage ratio will continue to be its binding Tier 1 capital constraint in the near-term, it is possible that these changes will, over time, result in risk-weighted capital requirements becoming the binding constraint.

MREL and resolution strategy

MREL requirements have been introduced as part of a regime designed to make it easier to manage the failure of banks and building societies in an orderly way, without reliance on taxpayer bail-outs. These rules require all institutions to meet an individual MREL requirement by issuing own funds (capital instruments) and other 'eligible liabilities' which are available to be bailed-in (i.e. written down or converted to equity on the occurrence of certain trigger points), calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities.

MREL requirements are split into two elements: firstly, a loss absorption amount, to cover losses up to and in resolution, based on a firm's minimum going concern capital requirement; and secondly, a recapitalisation amount, intended to enable the firm to continue as a going concern post-resolution and to access funds in the capital markets (and accordingly the recapitalisation amount is likely to be at least equal to the minimum going concern capital requirement).

The Bank of England has set us an indicative MREL requirement of 6.5% of our leverage exposure. In addition to our MREL requirement, we must also hold applicable leverage ratio buffers of 0.35% of our leverage exposure. Together the MREL requirement and applicable buffers represent our "loss-absorbing capacity" requirement. As at April 4, 2023, our MREL resources were equal to 8.8% of the leverage exposure.

The preferred resolution strategy for us has been set by the Bank of England as "bail-in", reflecting our size and consequential risks of an insolvency process. 'Bail-in' would involve the write down or conversion to equity instruments (such as core capital deferred shares ("**CCDS**")) of our liabilities, and would be expected to result in the write down or conversion of all or a large part of our own funds and other eligible liabilities (and could in addition result in the write down or conversion of our other, more senior-ranking liabilities). Notwithstanding this, the actual approach taken, should we require resolution, will depend on the circumstances at the time of a failure, and all available options would be considered by the Bank of England.

Stress Tests

Since 2014, the Bank of England has conducted annual stress tests of the UK banking system. The annual cyclical scenario ("**ACS**") includes all major UK banks and building societies with total retail deposits equal to, or greater than, £50 billion on an individual or consolidated basis, at a firm's financial year-end date. This group includes us.

In light of the Covid-19 pandemic, in March 2020 the Bank of England cancelled the 2020 bank stress tests and instead undertook desktop analysis of the resilience of the UK banking sector to the unfolding stress. With the pandemic continuing into 2021, the Bank of England issued their solvency stress test to assess whether capital buffers of participants were large enough to withstand how the prevailing stress could unfold. This stress further extended the economic and financial shocks experienced during the pandemic to date. Our results demonstrated that it would remain profitable, with capital levels well above regulatory requirements (common equity tier 1 capital falling to 16.9% at its lowest point, materially above the hurdle rate of 8.4% and leverage ratio falling to 5.0% at its lowest point). In the scenario, full distributions continued to be made on all Tier 1 capital instruments.

The 2022 stress test process was announced by the Bank of England in September 2022, reverting to annual cyclical stress testing, with results expected to be published in summer 2023.

Post-Brexit changes to the UK prudential and resolution regimes

Following the UK's withdrawal from the EU, the UK authorities have elected to diverge from the EU prudential and resolution frameworks in certain respects. For example, the following provisions of BRRD do not apply in the UK:

- Article 1(6) of BRRD II, which inserted a new Article 16a in BRRD to provide the resolution authority with the power to prohibit an entity from distributing more than the 'maximum distributable amount' relating to the minimum requirement for own funds and eligible liabilities ("**M-MDA**"), where the entity fails to meet the combined buffer requirement, subject to certain conditions;

- Article 1(20) of BRRD II, which introduced a new Article 48(7) of BRRD, making changes to priority of debts in insolvency;

- Article 1(21) of BRRD II, which updated Article 55 of BRRD on the contractual recognition of bail-in; and

- Article 1(30) of BRRD II, which amended the existing in-resolution moratorium power under Article 69 of BRRD.

Furthermore, the PRA has confirmed it intends to make further changes to the prudential regime, including changes to payment restrictions based on maximum distributable amount ("**MDA**") calculations in order

to improve firms' ability to use their combined buffers as intended when subject to a severe but plausible stress. The proposed changes include (i) removing the restriction which precludes firms from making distributions that would cause their CET1 levels to fall into the combined buffer, and (ii) amending the definition of the MDA to include certain profits already recognised as CET1 over the preceding four calendar quarters, net of distributions.

In addition, the UK is proposing to transfer much of the EU prudential framework retained as law following the UK's withdrawal from the EU into the UK regulators' rulebooks, to improve flexibility. Following a consultation on the optimal structure for UK financial services post-Brexit, the Financial Services and Markets Bill (the "**FSMB**") was introduced to Parliament in July 2022 and aims to implement the outcomes of the government's future regulatory framework review and to make changes to update the UK regulatory regime. The FSMB proposes that primary responsibility for regulation will be delegated to the UK regulatory authorities, subject to the oversight of Parliament. The FSMB will establish a framework to revoke EU law relating to financial services, and will enable HM Treasury, the FCA and PRA to replace it with legislation and regulatory rule sets to deliver a comprehensive FSMA model of regulation. As part of the Edinburgh Reforms which were published in the UK on December 9, 2022, HM Treasury set out the government's approach to repealing and replacing REUL on financial services. HM Treasury has identified 43 core areas of REUL in scope of this programme and will deliver the programme by splitting REUL into "tranches". The government expects to make significant progress on the first two tranches, which include reform of onshored CRDIV by the end of 2023. The UK regulatory reform process may result in material changes to the UK regulatory regime.

Accordingly, divergence between the EU and UK prudential regimes may widen over time.

EXCHANGE CONTROLS AND OTHER LIMITATIONS AFFECTING HOLDERS OF NOTES

Subject to the withholding tax requirements set out under the subsection entitled "*Taxation–UK Taxation*," there are currently no UK laws, decrees or regulations that would reduce the payment by the issuer of interest or other payments to holders of notes who are neither residents of, nor trading in, the United Kingdom. For further discussion, see the subsection entitled "*Taxation–UK Taxation*." There are also no restrictions under our memorandum and rules or under current UK laws that limit the right of non-resident or foreign owners to hold the notes or to vote, when entitled to do so.

TERMS AND CONDITIONS OF THE NOTES

This section describes the material terms and provisions of the notes to which any Final Terms may relate. We will describe in each Final Terms the particular terms of the notes that we offer by that Final Terms and the extent, if any, to which the general provisions described below may apply to those notes. Capitalized terms used but not defined in this section have the meanings given to them in the senior preferred notes, senior non-preferred notes, subordinated notes, or indenture, as the case may be.

General

We will offer the notes under an indenture, dated as at December 19, 2017 and as supplemented and amended from time to time (the "**Indenture**"), between us (the "**Issuer**") and The Bank of New York Mellon, London Branch as trustee (the "**Trustee**"). The notes are limited to an aggregate principal amount of up to $25,000,000,000 outstanding at any time, including, in the case of notes denominated in one or more other currencies or composite currencies, the equivalent thereof at the Market Exchange Rate in the one or more other currencies on the date on which such note will be issued (the "**Original Issue Date**"), subject to reduction by or pursuant to action of our Board of Directors, provided that a reduction will not affect any note already issued or as to which we have already accepted an offer to purchase. We may, however, increase these limits without the consent of the holders of the notes if in the future we determine that we wish to sell additional notes.

The notes will mature twelve months or more from the date of issue and may be subject to redemption or early repayment at our option or the holder's option as further described in the subsection entitled "*—Redemption, Repurchase, Substitution and Variation*." Each note will be denominated in U.S. dollars or in another currency as we specify in the applicable Final Terms. For a further discussion, see "*—Payment of Principal, Premium, if any, and Interest, if any*." Each note will be either:

- a Fixed Rate Note; or
- a Reset Note, which will bear interest at a fixed rate for an initial period, after which the interest rate will be reset by reference to the interest basis plus or minus the relevant Margin (if any) at specified intervals, in each case as specified in the applicable Final Terms; or
- a Floating Rate Note, which will bear interest at a rate determined by reference to the interest rate basis or combination of interest rate bases plus or minus the Margin (if any), in each case as specified in the applicable Final Terms; or
- a Zero Coupon Note, in which case references to interest in these terms and conditions are not applicable; or
- any appropriate combination thereof, depending upon the Interest Basis shown in the applicable Final Terms.

Status of senior preferred notes

The senior preferred notes are direct, unconditional, unsubordinated and (subject to the provisions of "*—Negative Pledge*") unsecured obligations of the Issuer and rank (subject to the provisions of "*—Negative Pledge*") equally among themselves, junior to obligations required to be preferred by law (which includes certain member share accounts which are given preferential status by law) and at least equally with all other Ordinary Non-Preferential Debts of the Issuer.

Accordingly, subject to the Insolvency Act (and any other Ranking Legislation), for so long as they are not secured pursuant to the provisions of "*–Negative Pledge*", the senior preferred notes form part of the class of Ordinary Non-Preferential Debts of the Issuer under the Insolvency Act (and any other Ranking Legislation).

Status and ranking of senior non-preferred notes

Status and ranking

The senior non-preferred notes may only be issued on terms such that they (A) have an original contractual maturity of at least one year and (B) are not derivatives and contain no embedded derivatives for the purposes of Section 387A(3)(b)(ii) of the Insolvency Act (and the relevant section of any other Ranking Legislation).

The senior non-preferred notes are direct and unsecured obligations of the Issuer and, subject to the Insolvency Act (and any other Ranking Legislation), constitute Secondary Non-Preferential Debts under the Insolvency Act (and any other Ranking Legislation), ranking *pari passu* and without any preference among themselves.

Accordingly, subject to the Insolvency Act (and any other Ranking Legislation), claims in respect of principal, interest and any other amount (including, without limitation, any damages awarded for breach of the Issuer's obligations) in respect of the senior non-preferred notes will, in the event of the winding up or dissolution of the Issuer (subject as otherwise provided in an Excluded Dissolution), rank as provided for Secondary Non-Preferential Debts in the Insolvency Act (and any other Ranking Legislation), and therefore:

(a) junior in right of payment to all Senior Claims;

(b) *pari passu* with all other Senior Non-Preferred Claims; and

(c) in priority to all Subordinated Claims.

Waiver of set-off

Subject to applicable law, no holder of senior non-preferred notes may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the senior non-preferred notes and each holder shall, by virtue of being the holder of any such senior non-preferred note (or the holder of any interest therein), be deemed to have waived all such rights of set-off, compensation or retention. Notwithstanding the provision of the foregoing sentence, if any of the said rights and claims of any holder of senior non-preferred notes against the Issuer is discharged by set-off, such holder of senior non-preferred notes will immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of winding up or dissolution of the Issuer, the liquidator or other insolvency official of the Issuer and accordingly such discharge will be deemed not to have taken place.

The senior non-preferred notes do not have the benefit of the negative pledge covenant described below under the subsection entitled "—Negative Pledge" and, as Secondary Non-Preferential Debts, rank junior to most of our liabilities, including senior preferred notes. For a further discussion of risks relating to junior ranking see the section entitled "*Risk Factors—Risks Related to the Notes—The notes rank junior to most of our liabilities.*"

Status and subordination of subordinated notes

Status and subordination

The subordinated notes are direct and unsecured obligations of the Issuer, subordinated as described below, and rank *pari passu* and without any preference among themselves.

Accordingly, subject to the Insolvency Act (and any other Ranking Legislation), the subordinated notes form part of the class of Tertiary Non-Preferential Debts under the Insolvency Act (and any other Ranking Legislation), and claims in respect of principal, interest and any other amount (including, without limitation, any damages awarded for breach of the Issuer's obligations) in respect of the subordinated notes will, in the event of the winding up or dissolution of the Issuer (subject as otherwise provided in an Excluded Dissolution):

(a) be subordinated in right of payment in the manner provided in the Insolvency Act (and any other Ranking Legislation) and the Indenture to (x) all Senior Claims, (y) all Senior Non-Preferred Claims, and (z) any Subordinated Claims (if any) which rank, or are expressed to rank, in priority to claims in respect of the subordinated notes;

(b) rank at least *pari passu* with claims in respect of the Issuer's obligations which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital; and

(c) rank in priority to claims in respect of obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Additional Tier 1 Capital or CET1 Capital (including the Issuer's core capital deferred shares) and in priority to any other claims (including, without limitation, the Issuer's PIBS) which rank, or are expressed to rank, junior to the claims in respect of subordinated notes.

Waiver of set-off

Subject to applicable law, no holder of subordinated notes may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the subordinated notes and each holder shall, by virtue of being the holder of any such subordinated note (or the holder of any interest therein), be deemed to have waived all such rights of set-off, compensation or retention. Notwithstanding the provision of the foregoing sentence, if any of the said rights and claims of any holder of subordinated notes against the Issuer is discharged by set-off, such holder of subordinated notes will immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of winding up or dissolution of the Issuer, the liquidator or other insolvency official of the Issuer and accordingly such discharge will be deemed not to have taken place.

The subordinated notes do not have the benefit of the negative pledge covenant described below under the subsection entitled "*—Negative Pledge*" and are subordinated to most of our liabilities (including senior preferred notes and senior non-preferred notes). For a further discussion of risks relating to subordination see the section entitled "*Risk Factors—Risks Related to the Notes—The notes rank junior to most of our liabilities.*"

Recovery currency

To the extent that holders of any notes are entitled to any recovery with respect to the notes in any winding up or liquidation, it is unclear whether such holders would be entitled in such proceedings to recovery in U.S. dollars (or, if different, the relevant Specified Currency) and they may be entitled only to a recovery in pounds sterling and, as a general matter, the right to claim for any amounts payable on notes may be limited by applicable insolvency law.

Certain definitions

"**Business Day**" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banks are authorized or required by law, regulation or executive order to close in New York City and each Additional Business Center specified in the applicable Final Terms; provided, however, that, with respect to notes denominated in a Specified Currency other than U.S. dollars, it is also not a day on which commercial banks are authorized or required by law, regulation or executive order to close in the Principal Financial Center, as defined below, of the country issuing the Specified Currency (or, if the Specified Currency is euro or EURIBOR is an applicable Interest Rate Basis, such day is also a day on which the euro payments settlement system known as T2 (or any successor thereto) is open for settlement of payments in euro, a "**TARGET Settlement Date**"); provided, further, that, with respect to notes as to which SOFR or SONIA is an applicable Interest Rate Basis, it is also a London Business Day. "**London Business Day**" means a day on which commercial banks are open for business in London.

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (whether or not constituting an Interest Period or an Interest Accrual Period) (the "**Calculation Period**") in accordance with the applicable Final Terms for any Fixed Rate Note, Reset Note, or Floating Rate Note, as applicable:

(A) if **Actual/Actual (ICMA)** is specified in the applicable Final Terms:

(i) in the case of notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (A) the number of days in such Determination Period and (B) the number of Determination Dates (as so specified in the applicable Final Terms) that would occur in one calendar year; or

(ii) in the case of notes where the Accrual Period is longer than the Determination Period commencing on the last Interest Payment Date on which interest was paid (or, if none, the Interest Commencement Date), the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates that would occur in one calendar year;

(B) if **30/360** is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of twelve 30 day months) divided by 360;

(C) if **Actual/Actual (ISDA)** or **Actual/Actual** is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(D) if **Actual/365 (Fixed)** is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365;

(E) if **Actual/365 (Sterling)** is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(F) if **Actual/360** is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 360;

(G) if **30/360**, **360/360** or **Bond Basis** is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(H) if **30E/360** or **Eurobond Basis** is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30; and

(I) if **30E/360 (ISDA)** is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

If no Day Count Fraction for Fixed Rate Notes is specified in the applicable Final Terms then the Day Count Fraction for such notes shall be **Actual/Actual (ICMA)** for notes other than those denominated or payable in U.S. Dollars and **30/360** for notes denominated or payable in U.S. Dollars.

"**deferred share investments**" has the meaning ascribed thereto in the rules of the Issuer (and includes the Issuer's PIBS and core capital deferred shares).

"**Determination Period**" means the period from (and including) a Determination Date in any year to (but excluding) the next Determination Date.

"**EEA regulated market**" means a market as defined by Article 4.1(21) of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as amended.

"**Excluded Dissolution**" means each of (i) a winding up or dissolution of the Issuer for the purpose of a reconstruction, union, transfer, merger or amalgamation or the substitution in place of the Issuer of a successor in business the terms of which have previously been approved by the Trustee and (ii) a dissolution of the Issuer by virtue of the amalgamation and transfer provisions set out in sections 93, 94 and 97 of the Building Societies Act 1986, as amended (the "**Act**"), or by virtue of a transfer pursuant to an order made under section 3 of the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007, as amended (or any successor provisions thereto).

"**Hierarchy Order**" means The Banks and Building Societies (Priorities on Insolvency) Order 2018, as amended or superseded from time to time.

"**Independent Adviser**" means an independent financial institution of international repute or an independent adviser of recognized standing and with appropriate expertise (which may include the Calculation Agent) appointed by the Issuer at its own expense with notice in writing to the Trustee.

"**Insolvency Act**" means the Insolvency Act 1986, as amended or superseded from time to time (including by the Hierarchy Order).

"**investing members**" has the meaning ascribed thereto in the rules of the Issuer.

"**Loss Absorption Compliant Notes**" means securities that comply with the following (which compliance has been certified to the Trustee in a certificate signed by two authorized signatories of the Issuer and delivered to the Trustee prior to the relevant substitution or variation):

(a) such securities are issued by the Issuer or any wholly-owned direct or indirect subsidiary of the Issuer with a guarantee of such obligations by the Issuer;

(b) such securities rank (or, if guaranteed by the Issuer, benefit from a guarantee that ranks) as part of the class of Secondary Non-Preferential Debts;

(c) (subject to (b) above) such securities have terms not materially less favorable to noteholders than the terms of the relevant senior non-preferred notes (as reasonably determined by the Issuer in consultation with an independent adviser of recognized standing);

(d) (without prejudice to (c) above) such securities (1) contain terms such that they comply with the then applicable Loss Absorption Regulations in order to be eligible to qualify in full towards the Issuer's minimum requirements (on an individual or consolidated basis) for own funds and eligible liabilities and/or loss absorbing capacity instruments; (2) bear the same rate of interest from time to time applying to the relevant senior non-preferred notes and preserve the same interest payment dates; (3) do not contain terms providing for deferral of payments of interest and/or principal; (4) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the relevant senior non-preferred notes, including (without limitation) as to timing of, and amounts payable upon, such redemption; (5) do not contain terms providing for loss absorption through principal write-down or conversion to common equity tier 1 instruments (but without prejudice to any acknowledgement of statutory resolution powers similar to "*—Agreement with Respect to the Exercise of UK Bail-in Power*"); and (6) preserve any existing rights to any accrued and unpaid interest and any other amounts payable under the relevant senior non-preferred notes which has accrued to noteholders and not been paid;

(e) such securities are listed on the same stock exchange or market as the relevant senior non-preferred notes or the London Stock Exchange or any EEA regulated market or any market in an OECD member state selected by the Issuer; and

(f) where the relevant senior non-preferred notes which have been substituted or varied had a published rating solicited by the Issuer from one or more Rating Agencies immediately prior to their substitution or variation, such securities benefit from (or will, as announced, or otherwise confirmed in writing, by each such relevant Rating Agency, benefit from) an equal or higher published rating from each such Rating Agency as that which applied to the relevant senior non-preferred notes (unless any downgrade is solely attributable to the ranking of the notes under (b) above).

a "**Loss Absorption Disqualification Event**" shall be deemed to have occurred in respect of a series of senior non-preferred notes if, as a result of any amendment to, or change in, any Loss Absorption Regulations, or any change in the application or official interpretation of any Loss Absorption Regulations, in any such case becoming effective after the Issue Date of such series of senior non-preferred notes, either:

(i) if "*Loss Absorption Disqualification Event: Full Exclusion*" is specified in the applicable Final Terms, the entire principal amount of such series of senior non-preferred notes; or

(ii) if "*Loss Absorption Disqualification Event: Full or Partial Exclusion*" is specified in the applicable Final Terms, the entire principal amount of such series of senior non-preferred notes or any part thereof,

is or (in the opinion of the Issuer or the relevant Supervisory Authority) is likely to be excluded from the Issuer's minimum requirements (whether on an individual or consolidated basis) for (A) own funds and eligible liabilities and/or (B) loss absorbing capacity instruments, in each case as such minimum requirements are applicable to the Issuer (whether on an individual or consolidated basis) and determined in accordance with, and pursuant to, the relevant Loss Absorption Regulations; provided that a Loss Absorption Disqualification Event shall not occur where the exclusion of the senior non-preferred notes from the relevant minimum requirement(s) is due to the remaining maturity of such senior non-preferred notes being less than any period prescribed by any applicable eligibility criteria for such minimum requirements under the relevant Loss Absorption Regulations effective with respect to the Issuer on the Issue Date of such series of senior non-preferred notes.

"**Loss Absorption Regulations**" means, at any time, the laws, regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments of the United Kingdom (including, without limitation, any provision of the Insolvency Act or any other Ranking Legislation which relates to the requisite features of Secondary Non-Preferential Debts), any relevant Supervisory Authority and/or any other relevant authority then in effect in the United Kingdom and applicable to the Issuer (whether on an individual or consolidated basis) including, without limitation to the generality of the foregoing, any regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments adopted by any relevant Supervisory Authority from time to time (whether such regulations, requirements, guidelines, rules, standards or policies are applied generally or specifically to the Issuer).

"**New York City Banking Day**" means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the city of New York.

"**Ordinary Non-Preferential Debts**" means 'ordinary non-preferential debts' as defined in Section 387A(3)(a) of the Insolvency Act (or, as the case may be, in the relevant section of any other Ranking Legislation).

"**Principal Financial Center**" means the capital city of the country issuing the Specified Currency except, that with respect to U.S. dollars, Canadian dollars, and Swiss francs, the "**Principal Financial Center**" shall be New York City, Toronto, and Zurich, respectively.

"**Ranking Legislation**" means the Insolvency Act, the Hierarchy Order and, if and to the extent applicable to the Issuer, any other law or regulation which is amended by the Hierarchy Order.

"**Rating Agency**" means any of S&P Global Ratings UK Limited, Moody's Investors Service Limited and Fitch Ratings Limited and each of their respective affiliates or successors.

"**Regulatory Capital Requirements**" means, at any time, any requirement contained in the law, regulations, requirements, guidelines and policies then in effect relating to capital adequacy and prudential supervision and applicable to the Issuer, including (without limitation to the generality of the foregoing), those applicable laws, regulations, requirements, guidelines and policies relating to capital adequacy and prudential supervision then in effect of the United Kingdom or the relevant Supervisory Authority and/or any other relevant authority.

A "**Regulatory Event**" is deemed to have occurred in respect of a series of subordinated notes if there is a change (which has occurred or which the relevant Supervisory Authority considers to be sufficiently certain) in the regulatory classification of such series of subordinated notes which becomes effective after the Issue Date of such series of subordinated notes and that results, or would be likely to result, in:

(i) if "*Regulatory Event (subordinated notes only): Full Exclusion*" is specified in the applicable Final Terms, the entire principal amount of such series of subordinated notes being excluded from the Tier 2 Capital of the Issuer (whether on an individual or consolidated basis); or

(ii) if "*Regulatory Event (subordinated notes only): Full or Partial Exclusion*" is specified in the applicable Final Terms, the entire principal amount of such series of subordinated notes or any part thereof being excluded from the Tier 2 Capital of the Issuer (whether on an individual or consolidated basis).

"**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 Regulatory Capital Requirements and/or Loss Absorption Regulations, as the case may be.

"**Secondary Non-Preferential Debts**" means 'secondary non-preferential debts' as defined in Section 387A(3)(b) of the Insolvency Act (or, as the case may be, in the relevant section of any other Ranking Legislation).

"**Senior Claims**" means the aggregate amount of all claims admitted in the winding up or dissolution of the Issuer which are:

(i) claims of depositors of the Issuer;

(ii) claims of investing members of the Issuer as regards the principal and interest due on share investments other than deferred share investments; and

(iii) claims of creditors in respect of Ordinary Non-Preferential Debts of the Issuer and all other obligations of the Issuer which are preferred by law to Secondary Non-Preferential Debts.

"**Senior Non-Preferred Claims**" means the aggregate amount of all claims admitted in the winding up or dissolution of the Issuer which are claims of creditors in respect of Secondary Non-Preferential Debts of the Issuer.

"**Specified Currency**" means a currency issued and actively maintained as a country's or countries' recognized unit of domestic exchange by the government of any country and such term shall also include the euro.

"**Subordinated Claims**" means the aggregate amount of all claims admitted in the winding up or dissolution of the Issuer which are claims in respect of Tertiary Non-Preferential Debts of the Issuer, including (without limitation) claims of creditors in respect of obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital, Additional Tier 1 Capital or CET1 Capital (including the Issuer's core capital deferred shares) and claims in respect of the Issuer's PIBS.

"**Supervisory Authority**" means, from time to time, the Prudential Regulation Authority, the Bank of England and/or such other authority having for the time being primary supervisory authority and/or responsibility with respect to prudential or resolution matters concerning the Issuer and/or its group, as may be relevant in the context.

"**T2**" means the Trans-European Automated Real-time Gross Settlement Express Transfer system or any successor or replacement thereto.

"**Tertiary Non-Preferential Debts**" means 'tertiary non-preferential debts' as defined in Section 387A(3)(c) of the Insolvency Act (or, as the case may be, in the relevant section of any other Ranking Legislation).

"**Tier 1 Capital**", "**CET1 Capital**", "**Additional Tier 1 Capital**" and "**Tier 2 Capital**" have the respective meanings given thereto (or to a successor or equivalent term) in the Regulatory Capital Requirements.

Form, Transfer, Exchange and Denomination

Notes of a series will initially be represented by a global note or global notes in fully registered form ("**Global Notes**"). Notes offered in the United States to qualified institutional buyers in reliance on Rule 144A will be represented by one or more U.S. global notes ("**U.S. Global Notes**"). Notes offered outside the United States to non-U.S. persons in reliance on Regulation S will be represented by one or more international global notes ("**International Global Notes**").

Notes will bear a legend setting forth transfer restrictions and may not be transferred except in compliance with these transfer restrictions and subject to certification requirements. In no event will notes in bearer form be issued.

Unless otherwise specified in the Final Terms relating to a particular series of notes, the Global Note or Global Notes representing a series of notes will be issued to and deposited with, or on behalf of, DTC in New York City and registered in the name of Cede & Co. ("**Cede**"), as DTC's nominee. Interests in a Global Note or Global Notes representing notes of a series will be shown in, and transfers thereof will be effected only through, records maintained by DTC and its participants until such time, if any, as physical registered certificates

("**Certificated Notes**") in respect of such notes are issued, as set forth in the section entitled "*Description of the Global Notes—Book-Entry System*."

The Global Note or Global Notes representing a series of notes may be transferred only to a successor of DTC or another nominee of DTC. For additional information, see the section entitled "*Description of the Global Notes—Book-Entry System*."

Under the following circumstances, Global Notes of a series may be exchanged for certificated registered notes of such series:

- if at any time DTC notifies us that it is unwilling or unable to continue as the depositary for the notes, or DTC ceases to be a clearing agency registered under the Exchange Act, and we are unable to appoint a successor to DTC registered as a clearing agency under the Exchange Act within 90 days of such notification or of our becoming aware of such ineligibility;
- upon the occurrence of any Event of Default under the Indenture; and
- if we determine in our sole discretion (subject to DTC's procedures) that the notes of any series should no longer be represented by such Global Note or notes.

Certificated Notes representing a series of notes, if any, will be exchangeable for other Certificated Notes representing notes of such series of any authorized denominations and of a like aggregate principal amount and tenor. Certificated Notes will be serially numbered.

Certificated Notes may be presented to the Trustee for registration of transfer of exchange at its office in New York, which, at the date hereof, is located at 101 Barclay Street, New York, New York 10286. Certificated Notes may be presented for exchange and transfer in the manner, at the places and subject to the restrictions set forth in the Indenture and the notes. We have not registered the notes under the Securities Act or with any securities regulatory authority of any jurisdiction, and accordingly, transfers of the notes will be subject to the restrictions set forth in the sections entitled "*Notice to Investors*" and "*Transfer Restrictions*."

Certificated Notes and interests in the U.S. Global Notes may be transferred to a person who takes delivery in the form of interests in an International Global Note only upon receipt by the Trustee of written certifications, in the form provided in the Indenture, to the effect that the transfer is being made in accordance with Regulation S or Rule 144 under the Securities Act and that, if this transfer occurs prior to 40 days after the commencement of the offering of such notes, the interest transferred will be held immediately thereafter through Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking, S.A. ("**Clearstream**"), each of which is a participant in DTC.

Until 40 days after the closing date for the offering of a series of notes, interests in an International Global Note may be held only through Euroclear or Clearstream, which are participants in DTC. Certificated Notes and interests in International Global Notes may be transferred to a person who takes delivery in the form of interests in a U.S. Global Note only upon receipt by the Trustee of written certifications, in the form provided in the Indenture, to the effect that such transfer is being made in accordance with Rule 144A to a person whom the transferor reasonably believes is purchasing for its own account or for an account as to which it exercises sole investment discretion and that such person and such account or accounts are "qualified institutional buyers" within the meaning of Rule 144A and agree to comply with the restrictions on transfer set forth in the sections entitled "*Notice to Investors*" and "*Transfer Restrictions*."

In the event of any redemption of notes, we will not be required to (i) register the transfer of or exchange the notes during a period of 15 calendar days immediately preceding the date of redemption; (ii) register the transfer of or exchange the notes, or any portion thereof called for redemption, except the unredeemed portion of any of the notes being redeemed in part; or (iii) with respect to notes represented by a Global Note or Global Notes, exchange any such note or notes called for redemption, except to exchange such note or notes for another Global Note or Global Notes of that series and like tenor representing the aggregate principal amount of notes of that series that have not been redeemed.

Unless otherwise specified in the Final Terms relating to a particular series of notes, The Bank of New York Mellon, London Branch is the paying agent (the "**Paying Agent**") for the notes pursuant to the Indenture. We may at any time designate additional paying agents or rescind the designation of any paying agent provided that if and for so long as the notes are listed on any stock exchange which requires the appointment of a paying agent in any particular place, we shall maintain a paying agent with an office in the place required by such stock exchange or relevant authority.

We will issue senior preferred notes and senior non-preferred notes in minimum denominations of $200,000 and subordinated notes in minimum denominations of $250,000, and in each case in integral multiples of $1,000 in excess thereof, in the case of notes denominated in U.S. dollars. We will issue notes denominated in a Specified Currency other than U.S. dollars in minimum denominations that are the equivalent of these amounts in any other Specified Currency, and in any other denominations in excess of the minimum denominations as specified in the applicable Final Terms. The notes will be issued in integral multiples of 1,000 units of any such Specified Currency in excess of their minimum denominations. If the principal, premium, if any, and interest, if any, on any of the notes not denominated in U.S. dollars, euro or sterling are to be payable at our or the holder's option in U.S. dollars, such payment will be made on the basis of the Market Exchange Rate, computed by the Currency Determination Agent in respect of the relevant series of notes and as specified in the applicable Final Terms, on the second Business Day prior to such payment or, if such Market Exchange Rate is not then available, on the basis of the most recently available Market Exchange Rate.

Payment of Principal, Premium, if any, and Interest, if any

Payments of principal, premium, if any, and interest, if any, to owners of beneficial interests in the Global Notes are expected to be made in accordance with those procedures of DTC and its participants in effect from time to time as described in the subsection entitled "*Description of the Global Notes—Book-Entry System*" and, in the case of any note denominated in a Specified Currency other than U.S. dollars, as provided below.

Payments will be subject in all cases to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

Except as described below, with respect to any Certificated Note, payments of interest, if any, will be made by mailing a check to the holder at the address of such holder appearing on the register for the notes on the regular record date (the "**Regular Record Date**"). Notwithstanding the foregoing, at our option, all payments of interest on the notes may be made by wire transfer of immediately available funds to an account at a bank located within the United States as designated by each holder not less than 15 calendar days prior to the relevant Interest Payment Date. A holder of $10,000,000 (or, if the Specified Currency is other than U.S. dollars, the equivalent thereof in that Specified Currency) or more in aggregate principal amount of notes of like tenor and terms with the same Interest Payment Date may demand payment by wire transfer but only if appropriate payment instructions have been received in writing by any paying agent with respect to such note appointed by us, not less than 15 calendar days prior to the Interest Payment Date. In the event that payment is so made in accordance with instructions of the holder, such wire transfer shall be deemed to constitute full and complete payment of such principal, premium and/or interest on the notes. Payment of the principal, premium, if any, and interest, if any, due with respect to any Certificated Note at Maturity will be made in immediately available funds upon surrender of such note at the principal office of any paying agent appointed by us with respect to that note and accompanied by wire transfer instructions, provided that the Certificated Note is presented to such paying agent in time for such paying agent to make such payments in such funds in accordance with its normal procedures.

Payments of principal, premium, if any, and interest, if any, with respect to any note to be made in a Specified Currency other than U.S. dollars will be made by check mailed to the address of the person entitled thereto as its address appears in the register for the notes or by wire transfer to such account with a bank located in a jurisdiction acceptable to us and the Trustee as shall have been designated at least 15 calendar days prior to the Interest Payment Date or Maturity, as the case may be, by the holder of such note on the relevant Regular Record Date or at Maturity, provided that, in the case of payment of principal of, and premium, if any, and interest,

if any, due at Maturity, the note is presented to any paying agent appointed by us with respect to such note in time for such paying agent to make such payments in such funds in accordance with its normal procedures. Such designation shall be made by filing the appropriate information with the Trustee at its Corporate Trust Office, and, unless revoked, any such designation made with respect to any note by a holder will remain in effect with respect to any further payments with respect to such note payable to such holder. If a payment with respect to any such note cannot be made by wire transfer because the required designation has not been received by the Trustee on or before the requisite date or for any other reason, a notice will be mailed to the holder at its registered address requesting a designation pursuant to which such wire transfer can be made and, upon such Trustee's receipt of such a designation, such payment will be made within 15 calendar days of such receipt. We will pay any administrative costs imposed by banks in connection with making payments by wire transfer, but any tax, assessment or governmental charge imposed upon payments will be borne by the holders of such notes in respect of which such payments are made.

Except as provided below, payments of principal, premium, if any, and interest, if any, with respect to any note represented by Global Notes that is denominated in a Specified Currency other than U.S. dollars will be made in U.S. dollars, as set forth below. If the holder of such note on the relevant Regular Record Date or at Maturity, as the case may be, requests payments in a currency other than U.S. dollars, the holder shall transmit a written request for such payment to any paying agent appointed by us with respect to such note at its principal office on or prior to such Regular Record Date or the date 15 calendar days prior to Maturity, as the case may be. Such request may be delivered by mail, by hand, by cable or by telex or any other form of facsimile transmission. Any such request made with respect to any note by a holder will remain in effect with respect to any further payments of principal, and premium, if any, and interest, if any, with respect to such note payable to such holder, unless such request is revoked by written notice received by such paying agent on or prior to the relevant Regular Record Date or the date 15 calendar days prior to Maturity, as the case may be (but no such revocation may be made with respect to payments made on any such note if an Event of Default has occurred with respect thereto or upon the giving of a notice of redemption). Holders of notes denominated in a currency other than U.S. dollars whose notes are registered in the name of a broker or nominee should contact such broker or nominee to determine whether and how an election to receive payments in a currency other than U.S. dollars may be made.

The U.S. dollar amount to be received by a holder of a note denominated in other than U.S. dollars who elects to receive payments in U.S. dollars will be based on the highest indicated bid quotation for the purchase of U.S. dollars in exchange for the Specified Currency obtained by the Currency Determination Agent at approximately 11:00 a.m., New York City time, on the second Business Day immediately preceding the applicable payment date from the bank composite or multicontributor pages of the Quoting Source for three (or two if three are not available) major banks in New York City. The first three (or two) such banks selected by the Currency Determination Agent which are offering quotes on the Quoting Source will be used. If fewer than two such bid quotations are available at 11:00 a.m., New York City time, on the second Business Day immediately preceding the applicable payment date, such payment will be based on the Market Exchange Rate as of the second Business Day immediately preceding the applicable payment date. If the Market Exchange Rate for such date is not then available, such payment will be made in the Specified Currency. As used herein, the "**Quoting Source**" means Reuters Monitor Foreign Exchange Service, or if the Currency Determination Agent determines that such service is not available, such comparable display or other comparable manner of obtaining quotations as shall be agreed between us and the Currency Determination Agent. All currency exchange costs associated with any payment in U.S. dollars on any such notes will be borne by the holder thereof by deductions from such payment.

If the Specified Currency for a note denominated in a currency other than U.S. dollars is not available for the required payment of principal, premium, if any, and/or interest, if any, in respect thereof due to the imposition of exchange controls or other circumstances beyond our control, we will be entitled to satisfy our obligations to the holder of such note by making such payment in U.S. dollars on the basis of the Market Exchange Rate, computed by the Currency Determination Agent, on the second Business Day prior to such payment or, if such Market Exchange Rate is not then available, on the basis of the most recently available Market Exchange Rate. Any payment made in U.S. dollars under such circumstances where the required payment was to be in a Specified Currency other than U.S. dollars will not constitute an Event of Default under the Indenture with respect to the notes.

All determinations referred to above made by the Currency Determination Agent shall be at its sole discretion in accordance with its normal operating procedures and shall, in the absence of manifest error, be conclusive for all purposes and binding on all holders and beneficial owners of notes.

Interest

Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding principal amount from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Fixed Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year specified in the applicable Final Terms and on the Maturity Date specified in the applicable Final Terms if that does not fall on an Interest Payment Date. The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date.

Interest shall be calculated in respect of any period by applying the Rate of Interest to the aggregate outstanding nominal amount of the Fixed Rate Notes and multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest subunit of the relevant Specified Currency, half of any such subunit being rounded upwards or otherwise in accordance with applicable market convention.

If "*Business Day Convention—Adjusted*" is specified to be applicable in the applicable Final Terms, then:

(a) any Interest Payment Date or the Maturity Date which would otherwise fall on a day which is not a Business Day will be postponed or brought forward (as applicable) in accordance with the relevant business day convention (as described under "*Interest on Floating Rate Notes - Interest Payment Dates*" below) specified in the applicable Final Terms (which, for the avoidance of doubt, shall not be the Floating Rate Convention);

(b) the amount of interest payable on any Interest Payment Date or the Maturity Date will be the amount accrued during the Fixed Interest Period ending immediately prior to (as the case may be) such Interest Payment Date or the Maturity Date. As used herein, "**Fixed Interest Period**" means the period from (and including) the Interest Commencement 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 (or, if applicable, the Maturity Date); and

(c) the Calculation Agent will calculate the amount of interest for each Fixed Interest Period and will cause such amount and the relative Interest Payment Date to be notified to us, to the Trustee and to any listing authority, stock exchange and/or quotation system to which the Fixed Rate Notes have then been admitted to listing, trading and/or quotation and to be published as soon as possible after such determination but in no event later than the fourth Business Day thereafter. Each amount of interest and the relative Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the relevant Fixed Interest Period. Any such amendment or alternative arrangements will promptly be notified to each listing authority, stock exchange and/or quotation system to which the Fixed Rate Notes have then been admitted to listing, trading and/or quotation and to the holders in accordance with the Indenture.

If "*Business Day Convention—Non-Adjusted*" is specified to be applicable in the applicable Final Terms, then:

(a) any Interest Payment Date or the Maturity Date which would otherwise fall on a day which is not a Business Day will be postponed or brought forward (as applicable) in accordance with the relevant business day convention (as described under "*Interest on Floating Rate Notes - Interest Payment Dates*" below) specified in the applicable Final Terms (which, for the avoidance of doubt, shall not be the Floating Rate Convention); and

(b) there will be no corresponding adjustment of the amount of interest payable on any Interest Payment Date or (as the case may be) the Maturity Date.

Interest on Reset Notes

Rates of Interest and Interest Payment Dates

Each Reset Note bears interest on its outstanding principal amount:

(a) from (and including) the Interest Commencement Date specified in the applicable Final Terms to (but excluding) the First Reset Date at the rate per annum equal to the Initial Rate of Interest;

(b) from (and including) the First Reset Date to (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the applicable Final Terms, the Maturity Date at the rate per annum equal to the First Reset Rate of Interest; and

(c) if applicable, from (and including) the Second Reset Date to (but excluding) the first Subsequent Reset Date (if any, or otherwise the Maturity Date), and each successive period from (and including) any Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date (if any, or otherwise the Maturity Date) (each a "**Subsequent Reset Period**") at the rate per annum equal to the relevant Subsequent Reset Rate of Interest,

(in each case rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) payable, in each case, in arrear on the Interest Payment Date(s) in each year and on the Maturity Date so specified if that does not fall on an Interest Payment Date.

The Rate of Interest and the amount of interest (the "**Interest Amount**") payable shall be determined by the Calculation Agent, (A) in the case of the Rate of Interest, at or as soon as practicable after each time at which the Rate of Interest is to be determined, and (B) in the case of the Interest Amount in accordance with the provisions for calculating amounts of interest in "*Interest—Interest on Fixed Rate Notes*" and, for such purposes, references therein to "Fixed Rate Notes" shall be deemed to be to "Reset Notes" and "*Interest—Interest on Fixed Rate Notes*" shall be construed accordingly.

In this section "*—Interest on Reset Notes*":

"**Calculation Agent**" means the calculation agent specified in the applicable Final Terms;

"**First Margin**" means the margin specified as such in the applicable Final Terms;

"**First Reset Date**" means the date specified as such in the applicable Final Terms;

"**First Reset Period**" means the period from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the applicable Final Terms, the Maturity Date;

"**First Reset Rate of Interest**" means, in respect of the First Reset Period and subject to "*Interest—Interest on Reset Notes—Fallbacks*" and (if applicable) *"—Benchmark discontinuation"* the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum, converted, if the Reset Reference Rate is either Mid-Swaps or the Reference Bond Yield (if not already on the same basis), from a basis equivalent to the Fixed Leg Swap Duration or the Reference Bond Yield, as the case may be, to a basis equivalent to the frequency with which scheduled interest payments are payable on the notes during the relevant Reset Period (such calculation to be determined by the Issuer in conjunction with a leading financial institution selected by it), of (A) the relevant Reset Reference Rate and (B) the First Margin;

"**Fixed Leg Swap Duration**" has the meaning specified in the applicable Final Terms;

"**Floating Leg Swap Duration**" has the meaning specified in the applicable Final Terms;

"**Initial Rate of Interest**" has the meaning specified in the applicable Final Terms;

"**Mid-Market Swap Rate**" means, subject to "*Interest – Interest on Reset Notes – Fallbacks*" and (if applicable) *"—Benchmark discontinuation,"* for any Reset Period the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the Fixed Leg Swap Duration (calculated on the basis of the Day Count Fraction as specified in the applicable Final Terms as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Floating Leg Swap Duration (calculated on the day count basis specified for such Mid-Swap Floating Leg Benchmark Rate as determined by the Calculation Agent);

"**Mid-Market Swap Rate Quotation**" means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

"**Mid-Swap Floating Leg Benchmark Rate**" means (subject to "*—Benchmark discontinuation*," if applicable) the reference rate specified as such in the applicable Final Terms or, if no such reference rate is so specified:

(i) if the Specified Currency is euro, the EURIBOR rate for the Floating Leg Swap Duration (calculated on an Actual/360 day count basis);

(ii) if the Specified Currency is pounds sterling, the overnight SONIA rate compounded for the Floating Leg Swap Duration (calculated on an Actual/365 day count basis); or

(iii) if the Specified Currency is U.S. dollars, the overnight SOFR rate compounded for the Floating Leg Swap Duration (calculated on an Actual/360 day count basis);

"**Mid-Swap Rate**" means, in relation to a Reset Determination Date and subject to "*Interest—Interest on Reset Notes—Fallbacks*" and (if applicable) "*—Benchmark discontinuation*" either:

(i) if Single Mid-Swap Rate is specified in the applicable Final Terms, the rate for swaps in the Specified Currency:

(A) with a term equal to the relevant Reset Period; and

(B) commencing on the relevant Reset Date,

which appears on the Relevant Screen Page or such replacement page on that service which displays the information; or

(ii) if Mean Mid-Swap Rate is specified in the applicable Final Terms, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001% (0.0005% being rounded upwards)) of the bid and offered swap rate quotations for swaps in the Specified Currency:

(A) with a term equal to the relevant Reset Period; and

(B) commencing on the relevant Reset Date,

which appear on the Relevant Screen Page or such replacement page on that service which displays the information,

in either case, as at approximately 11.00 a.m. in the Principal Financial Center of the Specified Currency on such Reset Determination Date, all as determined by the Calculation Agent provided, however, that if there is no such rate appearing on the Relevant Screen Page for a term equal to the relevant Reset Period, then the Mid-

Swap Rate shall be determined through the use of straight-line interpolation by reference to two rates, one of which shall be determined in accordance with the above provisions, but as if the relevant Reset Period were the period of time for which rates are available next shorter than the length of the actual Reset Period and the other of which shall be determined in accordance with the above provisions, but as if the relevant Reset Period were the period of time for which rates are available next longer than the length of the actual Reset Period;

"**Mid-Swap Reference Banks**" means the principal office in the Relevant Financial Center of four major banks in the swap, money, securities or other market most closely connected with the Subsequent Reset Reference Rate as selected by the Issuer on the advice of an investment bank of international repute;

"**Rate of Interest**" means the Initial Rate of Interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest, as applicable;

"**Reference Bond**" means for any Reset Period a government security or securities issued by the state responsible for issuing the Specified Currency (which, if the Specified Currency is euro, shall be Germany) selected by the Issuer on the advice of an investment bank of international repute as having an actual or interpolated maturity comparable with the relevant Reset Period that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the notes and of a comparable maturity to the relevant Reset Period.

"**Reference Bond Reset Rate Time**" means the time specified in the applicable Final Terms;

"**Reference Bond Yield**" means the annual yield to maturity or interpolated yield to maturity (on the relevant day count basis) of the relevant Reference Bond, expressed as a percentage, as determined by the Calculation Agent as follows on the basis of the Reference Government Bond Dealer Quotations provided to the Calculation Agent (upon request by or on behalf of the Issuer) by the Reference Government Bond Dealers at or around the relevant Reference Bond Reset Rate Time on the relevant Reset Determination Date. If four or more Reference Government Bond Dealer Quotations are so provided, the Reset Reference Rate shall be the arithmetic average of such Reference Government Bond Dealer Quotations after excluding the highest (or, in the event of equality, one of the highest) and lowest (or, in the event of equality, one of the lowest) such Reference Government Bond Dealer Quotations. If only two or three Reference Government Bond Dealer Quotations are so provided, the Reset Reference Rate shall be the arithmetic average of all such quotations. If only one Reference Government Bond Dealer Quotation is so provided, the Reset Reference Rate shall be the quotation provided. If no Reference Government Bond Dealer Quotations are so provided, the Reset Reference Rate will be (i) in the case of each Reset Period other than the First Reset Period, the Reset Reference Rate in respect of the immediately preceding Reset Period or (ii) in the case of the First Reset Period, the "Reference Bond Fallback Rate" set out in the applicable Final Terms;

"**Reference Government Bond Dealer**" means each of five banks (selected by the Issuer on the advice of an investment bank of international repute), or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues;

"**Reference Government Bond Dealer Quotations**" means, with respect to each Reference Government Bond Dealer and the relevant Reset Determination Date, the arithmetic mean average, as determined by the Calculation Agent, of the bid and offered yields to maturity or interpolated yields to maturity (on the relevant day count basis) for the relevant Reference Bond (expressed in each case as a percentage) at or around the Reference Bond Reset Rate Time on the relevant Reset Determination Date quoted in writing to the Calculation Agent by such Reference Government Bond Dealer;

"**Relevant Screen Page**" means the screen page specified in the applicable Final Terms (or any successor or replacement screen displaying the relevant information);

"**Reset Business Day**" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Business Center specified in the applicable Final Terms;

"**Reset Date**" means the First Reset Date, the Second Reset Date and each Subsequent Reset Date (as applicable);

"**Reset Determination Date**" means, in respect of any Reset Period, the second Reset Business Day prior to the first day of such Reset Period;

"**Reset Period**" means the First Reset Period or a Subsequent Reset Period, as the case may be;

"**Reset Reference Rate**" means either (i) any of the CMT Rate, EURIBOR, the Federal Funds Rate, Compounded Daily SONIA, SOFR, the Prime Rate, or the Treasury Rate, each as described in "*Interest—Interest on Floating Rate Notes*" and, for such purposes, references therein to "Floating Rate Notes" shall be deemed to be to "Reset Notes" and "*Interest—Interest on Floating Rate Notes*" shall be construed accordingly, or (ii) if Mid-Swaps is specified in the applicable Final Terms the Mid-Swap Rate, or (iii) if Reference Bond is specified in the applicable Final Terms, the Reference Bond Yield;

"**Second Reset Date**" means the date specified in the applicable Final Terms;

"**Subsequent Margin**" means the margin specified as such in the applicable Final Terms;

"**Subsequent Reset Date**" means the date or dates specified in the applicable Final Terms; and

"**Subsequent Reset Rate of Interest**" means, in respect of any Subsequent Reset Period and subject to "*Interest— Interest on Reset Notes—Fallbacks*" and (if applicable) "*Interest – Benchmark discontinuation*", the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum, converted, if the Reset Reference Rate is either Mid-Swaps or the Reference Bond Yield (if not already on the same basis), from a basis equivalent to the Fixed Leg Swap Duration specified in the applicable Final Terms or the Reference Bond Yield, as the case may be, to a basis equivalent to the frequency with which scheduled interest payments are payable on the notes during the relevant Reset Period (such calculation to be determined by the Issuer in conjunction with a leading financial institution selected by it), of (A) the relevant Reset Reference Rate and (B) the relevant Subsequent Margin.

Fallbacks for Mid-Swap Rate

If on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, the Calculation Agent shall request each of the Mid-Swap Reference Banks to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 11.00 a.m. in the Principal Financial Center of the Specified Currency on the Reset Determination Date in question.

If two or more of the Mid-Swap Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period shall be the sum (converted as set out in the definition of such term above) of the arithmetic mean (rounded, if necessary, to the nearest 0.001% (0.0005% being rounded upwards)) of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent.

If on any Reset Determination Date only one of the Mid-Swap Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this paragraph, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be the sum (converted as set out in the definition of such term above) of (rounded, if necessary, to the nearest 0.001% (0.0005% being rounded upwards)) of the relevant Mid-Market Swap Rate Quotation and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent.

If on any Reset Determination Date none of the Mid-Swap Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of "*Interest— Interest on Reset Notes—Fallbacks*", the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable)

shall be determined by the Calculation Agent as if, and on the assumption that, the relevant Reset Reference Rate were equal to:

(a) the Mid-Swap Rate as if determined as at the latest date (the **Latest Publication Date**) on which the relevant swap rate (if "*Single Mid-Swap Rate"* is specified in the applicable Final Terms) or swap rate quotations (if *"Mean Mid-Swap Rate"* is specified in the applicable Final Terms) for a swap in the Specified Currency with a term equal to the relevant Reset Period was/were published on the Relevant Screen Page (deeming such latest rate or rates, as applicable, to apply to a swap commencing on the relevant Reset Date, whether or not this is the case); or

(b) if this is more recent than the Latest Publication Date, or if for any reason the relevant Reset Reference Rate cannot otherwise be determined accordance with paragraph (a) above, the Mid-Swap Rate determined as at the last preceding Reset Date (or, for the purpose of determining the First Reset Rate of Interest on the first Reset Determination Date, the Mid-Swap Fallback Rate specified in the applicable Final Terms).

Notification of First Reset Rate of Interest, Subsequent Reset Rate of Interest and Interest Amount

The Calculation Agent will cause the First Reset Rate of Interest, any Subsequent Reset Rate of Interest and, in respect of a Reset Period, the Interest Amount payable on each Interest Payment Date falling in such Reset Period to be notified to the Issuer, the Paying Agent, the Trustee and any competent authority or stock exchange by or on which the relevant Reset Notes are for the time being listed and notice thereof to be published in accordance with "*—Notices*") as soon as possible after their determination but in no event later than the fourth London Business Day (as defined in "*Interest—Interest on Floating Rate Notes—Determination of Rate of Interest and calculation of Interest Amount; Percentages*") thereafter.

Determination or Calculation by an agent appointed by the Issuer

If for any reason the Calculation Agent defaults in its obligation to determine the Rate of Interest or calculate any Interest Amount in accordance with "*Interest—Interest on Reset Notes—Rates of Interest and Interest Payment Dates*"), the Issuer may appoint an agent to do so and such determination shall be deemed to have been made by the Calculation Agent. In doing so, such agent shall apply the foregoing provisions of this section "*Interest—Interest on Reset Notes*") with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this section "*Interest—Interest on Reset Notes*") by the Calculation Agent or any agent appointed by the Trustee shall (in the absence of manifest error) be binding on the Issuer, the Trustee, the Calculation Agent, the other paying agents and all noteholders and (in the absence of willful default, bad faith or manifest error) no liability to the Issuer or the noteholders shall attach to the Calculation Agent or the Trustee or any agent appointed by the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

Interest on Floating Rate Notes

Interest Payment Dates

Each Floating Rate Note bears interest on its outstanding principal amount from (and including) the Interest Commencement Date at the rate equal to the Rate of Interest payable in arrear on either:

(i) the Interest Payment Date(s) in each year specified in the applicable Final Terms (the period from (and including) the Interest Commencement 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 Interest Payment Date, each an "**Interest Period**"); or

(ii) if no express Interest Payment Date(s) is/are specified in the applicable Final Terms, each date which falls the number of months or other period specified as the Interest Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date, each such date being an Interest Payment Date.

If any Interest Payment Date which is specified in the applicable Final Terms to be subject to adjustment in accordance with a business day convention would otherwise fall on a day which is not a Business Day, then, if the business day convention specified is:

(A) in any case where Interest Periods are specified in accordance with (ii) above, the "Floating Rate" Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (I) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (II) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the number of months or other period specified as the Interest Period in the applicable Final Terms after the preceding applicable Interest Payment Date occurred; or

(B) the "Following Business Day" Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the "Modified Following Business Day" Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the "Preceding Business Day" Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms. For the avoidance of doubt, the provisions in this section in respect of Floating Rate Notes shall also apply to Reset Notes when the Reset Reference Rate includes one of the Interest Rate Basis described in this section.

Interest on Floating Rate Notes will be determined by reference to the applicable Interest Rate Basis or Bases, which may, as described below, include:

- the one-year Constant Maturity Treasury Rate ("**CMT Rate**");
- EURIBOR;
- the Federal Funds Rate;
- Compounded Daily SONIA;
- SOFR;
- the Prime Rate; or
- the Treasury Rate.

The applicable Final Terms will specify whether any Margin, expressed as a percentage amount, is to be added or subtracted from the related Interest Rate Basis or Bases applicable to such Floating Rate Note.

The applicable Final Terms will specify whether the rate of interest on the related Floating Rate Note will be reset daily, weekly, monthly, quarterly, semi-annually or annually or at such other specified intervals as specified in the applicable Final Terms (each, an "**Interest Reset Period**") and the dates on which such rate of interest will be reset (each, an "**Interest Reset Date**"). If any Interest Reset Date for any Floating Rate Note would otherwise be a day that is not a Business Day, such Interest Reset Date will be postponed to the next succeeding Business Day except that in the case of a Floating Rate Note as to which EURIBOR, SOFR or SONIA is an applicable Interest Rate Basis and such Business Day falls in the next succeeding calendar month, such Interest Reset Date will be the immediately preceding Business Day.

The interest rate applicable to each Interest Period (or other Interest Accrual Period) will be the rate determined by the Calculation Agent (as specified in the applicable Final Terms) as of the applicable Interest Determination Date ("**Interest Determination Date**").

The interest rate applicable to each Interest Reset Period commencing on the related Interest Reset Date will be the rate determined by the Calculation Agent (as specified in the applicable Final Terms) as of the applicable Interest Determination Date and calculated on or prior to the Calculation Date (as defined below), except with respect to EURIBOR, SOFR and Compounded Daily SONIA, which will be calculated on such Interest Determination Date, except with respect to the Prime Rate, which will be calculated on or prior to the day that is one New York City Banking Day following the Interest Reset Date pertaining to such Interest Determination Date, and except with respect to the CMT, which will be calculated on the dates specified below under "*—CMT Rate*." Unless otherwise specified in the applicable Final Terms, the "Interest Determination Date" with respect to:

- the Federal Funds Rate will be the Business Day immediately preceding the applicable Interest Reset Date;
- the CMT Rate will be the second US Government Securities Business Day preceding the applicable Interest Reset Date;
- the Prime Rate will be the applicable Interest Reset Date;
- EURIBOR will be the second TARGET Settlement Date immediately preceding the applicable Interest Reset Date;
- SOFR will be the first US Government Securities Business Day falling after the last day of the relevant Observation Period;
- Compounded Daily SONIA will be the first London Banking Day falling after the last day of the relevant Observation Period; and
- the Treasury Rate will be the day in the week in which the applicable Interest Reset Date falls on which the day Treasury Bills, as defined below, are normally auctioned (Treasury Bills are normally sold at an auction held on Monday of each week, unless such Monday is a legal holiday, in which case the auction is normally held on the immediately succeeding Tuesday although such auction may be held on the preceding Friday); provided, however, that if an auction is held on the Friday of the week preceding the applicable Interest Reset Date, the "Interest Determination Date" will be such preceding Friday; provided, further, that if the Interest Determination Date would otherwise fall on an Interest Reset Date, then such Interest Reset Date will be postponed to the next succeeding Business Day.

The "**Interest Determination Date**" pertaining to a Floating Rate Note the interest rate of which is determined by reference to two or more Interest Rate Bases will be the most recent Business Day which is at least two Business Days prior to the applicable Interest Reset Date for such Floating Rate Note on which each Interest Rate Basis is determinable. Each Interest Rate Basis will be determined as of such date, and the applicable interest rate will take effect on the applicable Interest Reset Date.

The "**Calculation Date**," if applicable, pertaining to any Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if such day is not a Business Day, the next succeeding Business Day or (ii) the Business Day immediately preceding the applicable Interest Payment Date or the Maturity Date, as the case may be.

The Calculation Agent shall determine each Interest Rate Basis in accordance with the following provisions:

"**H.15**" means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the Federal Reserve System (the "**Board of Governors**"), or its successor, available through the website of the Board of Governors at http://www.federalreserve.gov/releases/h15/update/h15upd.htm.

"**H.15 Daily Update**" means the daily update of H.15 available at the Board of Governors of the Federal Reserve System's website located at http://www.federalreserve.gov/releases/h15/update/h15upd.htm, or any successor site or publication.

CMT Rate

"**CMT Rate**" means, with respect to any Interest Determination Date relating to a Floating Rate Note or Reset Note for which the interest rate is determined with reference to the CMT Rate (and subject to "*—Benchmark discontinuation*" if applicable):

(1) if the Reuters 7051 Page is specified in the applicable Final Terms as the Designated CMT Reuters Page:

(a) the percentage equal to the yield for United States Treasury securities at "constant maturity" having the Designated CMT Maturity Index specified in the applicable Final Terms as published in H.15 under the caption "Treasury Constant Maturities," as the yield is displayed on Reuters (or any successor service) on page FRBCMT (or any other page as may replace the specified page on that service) ("**T7051 Page**"), on such Interest Determination Date, or

(b) if the rate referred to in clause (a) does not so appear on the T7051 Page, the percentage equal to the yield for United States Treasury securities at "constant maturity" having the particular Designated CMT Maturity Index and for such Interest Determination Date as published in H.15 under the caption "Treasury Constant Maturities," or

(c) if the rate referred to in clause (b) does not so appear in H.15, the rate on such Interest Determination Date for the period of the particular Designated CMT Maturity Index as may then be published by either the Board of Governors or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate which would otherwise have been published in H.15, or

(d) if the rate referred to in clause (c) is not so published, the rate on such Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices at approximately 5:00 P.M., New York City time, on that Interest Determination Date of three leading primary United States government securities dealers in The City of New York (which may include the agents or their affiliates) (each, a "**Reference Dealer**"), selected by the Calculation Agent (after consultation with us) from five Reference Dealers so selected by the Calculation Agent and 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, for United States Treasury securities with an original maturity equal to the particular Designated CMT Maturity Index, a remaining term to maturity no more than one year shorter than that Designated CMT Maturity Index and in a principal

amount that is representative for a single transaction in the securities in that market at that time, or

(e) if fewer than five but more than two of the prices referred to in clause (d) are provided as requested, the rate on such Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations shall be eliminated, or

(f) if fewer than three prices referred to in clause (d) are provided as requested, the rate on such Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices as of approximately 5:00 P.M., New York City time, on that Interest Determination Date of three Reference Dealers selected by the Calculation Agent (after consultation with us) from five Reference Dealers so selected by the Calculation Agent and 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, for United States Treasury securities with an original maturity greater than the particular Designated CMT Maturity Index, a remaining term to maturity closest to that Designated CMT Maturity Index and in a principal amount that is representative for a single transaction in the securities in that market at that time, or

(g) if fewer than five but more than two prices referred to in clause (f) are provided as requested, the rate on such Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations will be eliminated, or

(h) if fewer than three prices referred to in clause (f) are provided as requested, the CMT Rate in effect on such Interest Determination Date, provided that if no CMT Rate was in effect on such Interest Determination Date, the rate on such Floating Rate Note or Reset Note for the following Interest Reset Period shall be the Initial Interest Rate specified in the applicable Final Terms.

(2) if the Reuters Page T7052 is specified in the applicable Final Terms as the Designated CMT Reuters Page:

(a) the percentage equal to the one-week average yield for United States Treasury securities at "constant maturity" having the Designated CMT Maturity Index specified in the applicable Final Terms as published in H.15 under the caption "Week Ending" and opposite the caption "Treasury Constant Maturities," as the yield is displayed on Reuters (or any successor service) (on page 7052 or any other page as may replace the specified page on that service) on page FEDCMT (or any other page as may replace the specified page on that service) ("**T7052 Page**"), for the week preceding the week in which such Interest Determination Date falls, or

(b) if the rate referred to in clause (a) does not so appear on the T7052 Page, the percentage equal to the one-week average yield for United States Treasury securities at "constant maturity" having the particular Designated CMT Maturity Index and for the week preceding such Interest Determination Date as published in H.15 under the caption "Week Ending" and opposite the caption "Treasury Constant Maturities," or

(c) if the rate referred to in clause (b) does not so appear in H.15, the one-week average yield for United States Treasury securities at "constant maturity" having the particular Designated CMT Maturity Index as otherwise announced by the Federal Reserve Bank of New York for the week preceding the week in which such Interest Determination Date falls, or

(d) if the rate referred to in clause (c) is not so published, the rate on such Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices at approximately 5:00 P.M., New York City time, on that Interest Determination Date of three Reference Dealers selected by the Calculation Agent (after consultation with us) from five Reference Dealers so selected by the Calculation Agent and 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, for United States Treasury securities with an original maturity equal to the particular Designated CMT Maturity Index, a remaining term to maturity no more than one year shorter than that Designated CMT Maturity Index and in a principal amount that is representative for a single transaction in the securities in that market at that time, or

(e) if fewer than five but more than two of the prices referred to in clause (d) are provided as requested, the rate on such Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations shall be eliminated, or

(f) if fewer than three prices referred to in clause (d) are provided as requested, the rate on such Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices as of approximately 5:00 P.M., New York City time, on that Interest Determination Date of three Reference Dealers selected by the Calculation Agent (after consultation with us) from five Reference Dealers so selected by the Calculation Agent and 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, for United States Treasury securities with an original maturity greater than the particular Designated CMT Maturity Index, a remaining term to maturity closest to that Designated CMT Maturity Index and in a principal amount that is representative for a single transaction in the securities in that market at the time, or

(g) if fewer than five but more than two prices referred to in clause (f) are provided as requested, the rate on such Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest or the lowest of the quotations will be eliminated, or

(h) if fewer than three prices referred to in clause (f) are provided as requested, the CMT Rate in effect on that Interest Determination Date, provided that if no CMT Rate was in effect on such Interest Determination Date, the rate on such Floating Rate Note or Reset Note for the following Interest Reset Period shall be the Initial Interest Rate specified in the applicable Final Terms.

If two United States Treasury securities with an original maturity greater than the Designated CMT Maturity Index specified in the applicable Final Terms have remaining terms to maturity equally close to the particular Designated CMT Maturity Index, the quotes for the United States Treasury security with the shorter original remaining term to maturity will be used.

"**Designated CMT Maturity Index**" means the original period to maturity of the U.S. Treasury securities (either 1, 2, 3, 5, 7, 10, 20 or 30 years) specified in the applicable Final Terms with respect to which the CMT Rate will be calculated.

Compounded Daily SONIA – Non-Index Determination

With respect to any Interest Determination Date relating to a Floating Rate Note or Reset Note for which the interest rate is determined on the basis of Compounded Daily SONIA and for which the applicable Final Terms

specify "Index Determination" to be "Not Applicable", the rate of interest for an Interest Accrual Period will, subject to "*—Benchmark discontinuation*", if applicable, and as provided below, be Compounded Daily SONIA with respect to such Interest Accrual Period plus or minus (as indicated in the applicable Final Terms) the applicable Margin (if any), all as determined by the Calculation Agent.

"**Compounded Daily SONIA**" means with respect to an Interest Accrual Period, the rate of return of a daily compounded 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 Interest 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:

(i) where "Lag" is specified as the Observation Method in the applicable Final Terms, the relevant Interest Accrual Period; or

(ii) where "Shift" is specified as the Observation Method in the applicable Final Terms, the relevant Observation Period;

"d_o" means:

(i) where "Lag" is specified as the Observation Method in the applicable Final Terms, the number of London Banking Days in the relevant Interest Accrual Period; or

(ii) where "Shift" is specified as the Observation Method in the applicable Final Terms, the number of London Banking Days in the relevant Observation Period;

"i" is a series of whole numbers from one to "d_o", each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in:

(i) where "Lag" is specified as the Observation Method in the applicable Final Terms, the relevant Interest Accrual Period; or

(ii) where "Shift" is specified as the Observation Method in the applicable Final Terms, the relevant Observation Period;

"**London Banking Day**" means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

"n_i", for any London Banking Day "i", means the number of calendar days from (and including) such London Banking Day "i" up to (but excluding) the following London Banking Day;

"**Observation Period**" means the period from (and including) the date falling "p" London Banking Days prior to the first day of the relevant Interest Accrual Period to (but excluding) the date falling "p" London Banking Days prior to (A) (in the case of an Interest Period) the Interest Payment Date for such Interest Period or (B) (in the case of any other Interest Accrual Period) the date on which the relevant payment of interest falls due;

"p" means:

(i) where "Lag" is specified as the Observation Method in the applicable Final Terms, the number of London Banking Days specified as the "Lag Period" in the applicable Final Terms (or, if no such number is so specified, five London Banking Days); or

(ii) where "Shift" is specified as the Observation Method in the applicable Final Terms, the number of London Banking Days specified as the "Shift Period" in the applicable Final Terms (or, if no such number is specified, five London Banking Days);

the "**SONIA reference rate**", in respect of any London Banking Day ("**LBD_x**"), is a reference rate equal to the daily Sterling Overnight Index Average ("**SONIA**") rate for such LBD_x as provided by the administrator of SONIA to authorized distributors and as then published on the Relevant Screen Page (or, if the Relevant Screen Page is unavailable, as otherwise published by such authorized distributors) on the London Banking Day immediately following LBD_x; and

"**$SONIA_i$**" means the SONIA reference rate for:

(i) where "Lag" is specified as the Observation Method in the applicable Final Terms, the London Banking Day falling "*p*" London Banking Days prior to the relevant London Banking Day "i"; or

(ii) where "Shift" is specified as the Observation Method in the applicable Final Terms, the relevant London Banking Day "*i*".

Subject to "– *Benchmark discontinuation*", if, where any interest rate is to be calculated pursuant to the section "*Compounded Daily SONIA – Non-Index Determination*" above, in respect of any London Banking Day on which an applicable SONIA reference rate is required to be determined, such SONIA reference rate is not made available on the Relevant Screen Page or has not otherwise been published by the relevant authorized distributors, then the SONIA reference rate in respect of such London Banking Day shall be the rate determined by the Calculation Agent as:

(1) 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 London Banking Day; and (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five London Banking 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

(2) if the Bank Rate under (1)(i) above is not available at the relevant time, either (A) the SONIA reference rate published on the Relevant Screen Page (or otherwise published by the relevant authorized distributors) for the first preceding London Banking Day in respect of which the SONIA reference rate was published on the Relevant Screen Page (or otherwise published by the relevant authorized distributors) or (B) if this is more recent, the latest rate determined under (1) above,

and, in each case, references to "SONIA reference rate" in the section "*Compounded Daily SONIA – Non-Index Determination*" above shall be construed accordingly.

In the event that the rate of interest cannot be determined in accordance with the foregoing provisions, and without prejudice to "– *Benchmark discontinuation*", the rate of interest shall be:

A. that determined as at the last preceding Interest Determination Date on which the interest rate was so determined (though substituting, where a different Margin, Maximum Rate of Interest and/or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin, Maximum Rate of Interest and/or Minimum Rate of

Interest (as the case may be) relating to the relevant Interest Accrual Period, in place of the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as applicable) relating to that last preceding Interest Accrual Period); or

B. if there is no such preceding Interest Determination Date, the initial rate of interest which would have been applicable to such Floating Rate Notes or Reset Notes for the first scheduled Interest Period had the Floating Rate Notes or Reset Notes been in issue for a period equal in duration to the first scheduled Interest Period but ending on (and excluding) the Interest Commencement Date (applying the Margin and, if applicable, any Maximum Rate of Interest and/or Minimum Rate of Interest, applicable to the first scheduled Interest Period),

in each case as determined by the Calculation Agent.

Compounded Daily SONIA – Index Determination

With respect to any Interest Determination Date relating to a Floating Rate Note or Reset Note for which the interest rate is determined on the basis of Compounded Daily SONIA and for which the applicable Final Terms specify "Index Determination" to be "Applicable", the interest rate for each Interest Accrual Period, subject to "*—Benchmark discontinuation*", if applicable, and as provided below, will be the Compounded Daily SONIA Rate with respect to such Interest Accrual Period plus or minus (as indicated in the applicable Final Terms) the applicable Margin (if any), all as determined by the Calculation Agent.

"**Compounded Daily SONIA Rate**" means, with respect to an Interest Accrual 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) (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 SONIA rates administered by the administrator of the SONIA reference rate that is published or displayed on the Relevant Screen Page specified in the applicable Final Terms or, if no such page is so specified, or if such page (or the relevant rate to be published thereon) is unavailable at 10.00 a.m. (London time) (or, if later, one hour after the time at which the relevant rate is customarily published on such page), as otherwise published or displayed by such administrator or other information service from time to time on the relevant Interest Determination Date, (the "**SONIA Compounded Index**") and in accordance with the following formula:

$$\text{Compounded Daily SONIA Rate} = \left(\frac{SONIA\,CompoundedIndex_{End}}{SONIA\,CompoundedIndex_{Start}} - 1 \right) x \frac{365}{d}$$

where:

"**d**" is the number of calendar days from (and including) the day in relation to which SONIA Compounded $\text{Index}_{\text{Start}}$ is determined to (but excluding) the day in relation to which SONIA Compounded $\text{Index}_{\text{End}}$ is determined;

"**London Banking Day**" means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

"**Relevant Number**" is the number specified as such in the applicable Final Terms (or, if no such number is specified, five);

"**SONIA Compounded Index$_{\text{Start}}$**" means, with respect to an Interest Accrual Period, the SONIA Compounded Index determined in relation to the day falling the Relevant Number of London Banking Days prior to the first day of such Interest Accrual Period; and

"**SONIA Compounded Index$_{\text{End}}$**" means, with respect to an Interest Accrual Period, the SONIA Compounded Index determined in relation to the day falling the Relevant Number of London Banking

Days prior to (A) the Interest Payment Date for such Interest Accrual 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 Accrual Period).

If the relevant SONIA Compounded Index is not published or displayed by the administrator of the SONIA reference rate or other information service by 5.00 p.m. (London time) (or, if later, by the time falling one hour after the customary or scheduled time for publication thereof in accordance with the then-prevailing operational procedures of the administrator of the SONIA reference rate or of such other information service, as the case may be) on the relevant Interest Determination Date, the Compounded Daily SONIA Rate for the applicable Interest Accrual Period for which the SONIA Compounded Index is not available shall be "Compounded Daily SONIA" determined in accordance with "*Compounded Daily SONIA – Non-Index Determination*" above as if "Index Determination" were specified in the applicable Final Terms as being 'Not Applicable', and for these purposes: (i) the "Observation Method" shall be deemed to be "Shift" and (ii) the "Shift Period" shall be deemed to be equal to the Relevant Number of London Banking Days, as if those alternative elections had been made in the applicable Final Terms.

As used herein, an "**Interest Accrual Period**" means (i) each Interest Period and (ii) any other period (if any) in respect of which interest is 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 (which, if the relevant Floating Rate Notes or Reset Notes becomes due and payable in accordance with "*Terms and Conditions of the Notes – Events of Default—Senior Preferred Notes*" or "*Terms and Conditions of the Notes – Events of Default—Subordinated Notes and Senior Non-Preferred Notes*" (as applicable), shall be the date on which such Floating Rate Notes become due and payable).

If the Floating Rate Notes or Reset Notes become due and payable in accordance with "*Terms and Conditions of the Notes – Events of Default—Senior Preferred Notes*" or "*Terms and Conditions of the Notes – Events of Default—Subordinated Notes and Senior Non-Preferred Notes*" (as applicable), the final rate of interest shall be calculated for the Interest Accrual Period to (but excluding) the date on which the Floating Rate Notes or Reset Notes become so due and payable, and such rate of interest shall continue to apply to the Floating Rate Notes or Reset Notes for so long as interest continues to accrue thereon as provided in the Indenture.

SOFR

Definitions

"**Business Day**" has the meaning set forth in "—*Certain definitions*" and, if (i) the relevant Final Terms specify that the Interest Rate Basis is "Compounded Daily SOFR" and (ii) a SOFR Index Cessation Date has not occurred, a US Government Securities Business Day.

"**OBFR**" means, on an Interest Payment Date, the Overnight Bank Funding Rate that appears on the Federal Reserve's website at 5:00 p.m. (New York time) for trades made on the related Interest Determination Date;

"**OBFR Index Cessation Date**" means, following the occurrence of an OBFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of the Overnight Bank Funding Rate), ceases to publish the Overnight Bank Funding Rate, or the date as of which the Overnight Bank Funding Rate may no longer be used, in each case as certified in writing by the Issuer to the Calculation Agent.

"**OBFR Index Cessation Event**" means the occurrence of one or more of the following events:

(i) a public statement by the Federal Reserve Bank of New York (or a successor administrator of the Overnight Bank Funding Rate) announcing that it has ceased or will cease to publish or provide the Overnight Bank Funding Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide the Overnight Bank Funding Rate;

(ii) the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or a successor administrator of the Overnight Bank Funding Rate) has ceased or will cease to provide the Overnight Bank Funding Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide the Overnight Bank Funding Rate; or

(iii) a public statement by a regulator or other official sector entity prohibiting the use of the Overnight Bank Funding Rate that applies to, but need not be limited to, fixed income securities and derivatives, to the extent that such public statement has been acknowledged in writing by ISDA as an "OBFR index cessation event" under the 2006 ISDA Definitions as published by ISDA.

"**SOFR**" means, with respect to any US Government Securities Business Day (and subject to "*– Benchmark discontinuation – II. Benchmark discontinuation provisions for SOFR notes*" if applicable), the rate determined in accordance with the following provisions:

(i) the Secured Overnight Financing Rate that appears on the Federal Reserve's website at 3:00 p.m. (New York time) on the immediately following US Government Securities Business Day;

(ii) if the rate specified in paragraph (i) above does not so appear, and a SOFR Index Cessation Event has not occurred, then the Calculation Agent shall use the Secured Overnight Financing Rate published on the Federal Reserve's website for the first preceding US Government Securities Business Day on which the Secured Overnight Financing Rate was published on the Federal Reserve's website;

(iii) if a SOFR Index Cessation Date has occurred, the Calculation Agent shall calculate SOFR as if references to SOFR were references to the rate that was recommended as (and notified by the Issuer to the Calculation Agent being the replacement for the Secured Overnight Financing Rate by the Federal Reserve Board and/or the Federal Reserve Bank of New York or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York for the purpose of recommending a replacement for the Secured Overnight Financing Rate (which rate may be produced by a Federal Reserve Bank or other designated administrator, and which rate may include any adjustments or spreads). If no such rate has been recommended within one US Government Securities Business Day of the SOFR Index Cessation Date, then the Calculation Agent shall use OBFR published on the Federal Reserve's website for any Interest Payment Date after the SOFR Index Cessation Date; and

(iv) if the Calculation Agent is required to use OBFR in paragraph (iii) above and an OBFR Index Cessation Date has occurred, then for any Interest Payment Date after such OBFR Index Cessation Date, the Calculation Agent shall use the short-term interest rate target set by the Federal Open Market Committee and published on the Federal Reserve's website, or if the Federal Open Market Committee does not target a single rate, the mid-point of the short-term interest rate target range set by the Federal Open Market Committee and published on the Federal Reserve's website (calculated as the arithmetic average of the upper bound of the target range and the lower bound of the target range).

"**SOFR Index Cessation Date**" means, following the occurrence of a SOFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of the Secured Overnight Financing Rate), ceases to publish the Secured Overnight Financing Rate, or the date as of which the Secured Overnight Financing Rate may no longer be used, in each case as certified in writing by the Issuer to the Calculation Agent.

"**SOFR Index Cessation Event**" means the occurrence of one or more of the following events:

(i) a public statement by the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate) announcing that it has ceased or will cease to publish or provide the Secured Overnight Financing Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide the Secured Overnight Financing Rate;

(ii) the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate) has ceased or will cease to provide the Secured Overnight Financing Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide the Secured Overnight Financing Rate; or

(iii) a public statement by a regulator or other official sector entity prohibiting the use of the Secured Overnight Financing Rate that applies to, but need not be limited to, fixed income securities and derivatives, to the extent that such public statement has been acknowledged in writing by ISDA as a "SOFR index cessation event" under the 2006 ISDA Definitions as published by ISDA.

"**SOFR Reset Date**" means each US Government Securities Business Day in the relevant Interest Accrual Period, other than any US Government Securities Business Day in the Lock-out Period

"**US Government Securities Business Day**" means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association (or any successor thereto) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in US government securities.

Compounded Daily SOFR – Non-Index Determination

With respect to any Interest Determination Date relating to a Floating Rate Note or Reset Note for which the interest rate is determined on the basis of Compounded Daily SOFR and for which the applicable Final Terms specify "*Index Determination"* to be *"Not Applicable"*, the Rate of Interest for each Interest Accrual Period, subject as provided below, will be Compounded Daily SOFR plus or minus (as indicated in the applicable Final Terms) the applicable Margin (if any), all as determined by the Calculation Agent.

"**Compounded Daily SOFR**" means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment (with the Secured Overnight Financing Rate as the interest rate basis for the calculation of interest) as calculated by the Calculation Agent as at the relevant Interest Determination Date as follows, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{SOFR_{\mathrm{i}} \times \mathrm{n_i}}{360}\right)-1\right]\times\frac{360}{d}$$

where:

"**d**" is the number of calendar days in:

(i) (where in the applicable Final Terms "Lag" or "Lock-out" is specified as the Observation Method) the relevant Interest Accrual Period; or

(ii) (where in the applicable Final Terms "Shift" is specified as the Observation Method) the relevant SOFR Observation Period;

"**d_0**" means:

(i) (where in the applicable Final Terms "Lag" or "Lock-out" is specified as the Observation Method) for any Interest Accrual Period, the number of US Government Securities Business Days in the relevant Interest Accrual Period; or

(ii) (where in the applicable Final Terms "Shift" is specified as the Observation Method) for any SOFR Observation Period, the number of US Government Securities Business Days in the relevant SOFR Observation Period;

"**i**" is a series of whole numbers from 1 to 'd_0', each representing the relevant US Government Securities Business Day in chronological order from, and including, the first US Government Securities Business Day in:

(i) (where in the applicable Final Terms "Lag" or "Lock-out" is specified as the Observation Method) the relevant Interest Accrual Period; or

(ii) (where in the applicable Final Terms "Shift" is specified as the Observation Method) the relevant SOFR Observation Period;

"**Lock-out Period**" means the period from (and including) the day following the Interest Determination Date to (but excluding) the corresponding Interest Payment Date;

"**New York Fed's Website**" means the website of the Federal Reserve Bank of New York (or a successor administrator of SOFR) or any successor source;

"**n_i**" for any US Government Securities Business Day '*i*', means the number of calendar days from (and including) such US Government Securities Business Day '*i'* up to (but excluding) the following US Government Securities Business Day;

*"**p**"* means:

(i) where in the applicable Final Terms "Lag" is specified as the Observation Method, the number of US Government Securities Business Days specified as the "Lag Period" in the applicable Final Terms (or, if no such number is so specified, five US Government Securities Business Days and, if less than five US Government Securities Business Days is so specified, then only with prior agreement of the Calculation Agent); or

(ii) where in the applicable Final Terms "Lock-out" is specified as the Observation Method, zero US Government Securities Business Days; or

(iii) where in the applicable Final Terms "Shift" is specified as the Observation Method, the number of US Government Securities Business Days specified as the "Shift Period" in the applicable Final Terms (or, if no such number is specified, five US Government Securities Business Days and, if less than five US Government Securities Business Days is so specified, then only with prior agreement of the Calculation Agent);

"**$SOFR_i$**" means the SOFR for:

(i) where in the applicable Final Terms "Lag" is specified as the Observation Method, the US Government Securities Business Day falling p US Government Securities Business Days prior to the relevant US Government Securities Business Day '*i*';

(ii) where in the applicable Final Terms "Lock-out" is specified as the Observation Method:

(A) in respect of each US Government Securities Business Day '*i*' that is a SOFR Reset Date, the SOFR for the US Government Securities Business Day immediately preceding such SOFR Reset Date; and

(B) in respect of each US Government Securities Business Day '*i*' that is not a SOFR Reset Date (being a US Government Securities Business Day in the Lock-out Period), the SOFR for the US Government Securities Business Day immediately preceding the last SOFR Reset Date in the relevant Interest Accrual Period (such last SOFR Reset Date coinciding with the Interest Determination Date); or

(iii) where in the applicable Final Terms "Shift" is specified as the Observation Method, the relevant US Government Securities Business Day '*i*'; and

"SOFR Observation Period" means the period from (and including) the date falling '*p*' US Government Securities Business Days prior to the first day of the relevant Interest Accrual Period to (but excluding) the date falling '*p*' US Government Securities Business Days prior to (A) (in the case of an Interest Period) the Interest Payment Date for such Interest Period or (B) (in the case of any other Interest Accrual Period) the date on which the relevant payment of interest falls due.

Average SOFR

With respect to any Interest Determination Date relating to a Floating Rate Note or Reset Note for which the interest rate is determined on the basis of Average SOFR, the Rate of Interest for each Interest Accrual Period will be Average SOFR plus or minus (as indicated in the applicable Final Terms) the applicable Margin (if any), all as determined by the Calculation Agent as at the relevant Interest Determination Date (and rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards).

"**Average SOFR**", in relation to any Interest Accrual Period, means:

(a) where in the applicable Final Terms "Lag" is specified as the Observation Method, the arithmetic mean of the SOFR in effect for each calendar day during the relevant SOFR Observation Period, calculated by multiplying each relevant SOFR by the number of calendar days such rate is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant SOFR Observation Period. For these purposes, the SOFR in effect for any calendar day which is not a US Government Securities Business Day shall be deemed to be the SOFR in effect for the US Government Securities Business Day immediately preceding such calendar day; and

(b) where in the applicable Final Terms "Lock-out" is specified as the Observation Method, the arithmetic mean of the SOFR in effect for each calendar day during the relevant Interest Accrual Period, calculated by multiplying each relevant SOFR by the number of days such rate is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Interest Accrual Period, provided however that for any calendar day of such Interest Accrual Period falling in the Lock-out Period, the relevant SOFR for each day during that Lock-out Period will be deemed to be the SOFR in effect for the SOFR Reset Date immediately preceding the first day of such Lock-out Period. For these purposes, the SOFR in effect for any calendar day which is not a US Government Securities Business Day shall, subject to the proviso above, be deemed to be the SOFR in effect for the US Government Securities Business Day immediately preceding such calendar day.

Defined terms used in this section "*Average SOFR*" and not otherwise defined herein have the meanings set out under the section entitled "*Compounded Daily SOFR*" above.

SOFR Unavailable

Subject to "*–Benchmark discontinuation*" below, if, where any rate of interest is to be calculated pursuant to the sections "*Compounded Daily SOFR – Non-Index Determination" or "*Average SOFR*"* above, in respect of any US Government Securities Business Day in respect of which an applicable SOFR is required to be determined, such SOFR is not available, such SOFR shall be the SOFR for the first preceding US Government Securities Business Day in respect of which the SOFR was published on the New York Fed's Website.

In the event that the rate of interest cannot be determined in accordance with the foregoing provisions of the sections *"Compounded Daily SOFR – Non-Index Determination"* or *"Average SOFR"* above, but without prejudice to "*–Benchmark discontinuation*" below, the rate of interest shall be calculated in accordance, *mutatis mutandis*, with the fallback provisions of paragraphs A. and B. of the section *"Compounded Daily SONIA – Non-Index Determination"* above.

Compounded Daily SOFR –Index Determination

With respect to any Interest Determination Date relating to a Floating Rate Note or Reset Note for which the interest rate is determined on the basis of Compounded Daily SOFR and for which the applicable Final Terms specify "*Index Determination*" to be "Applicable", the Rate of Interest for each Interest Accrual Period, subject as provided below, will be Compounded SOFR plus or minus (as indicated in the applicable Final Terms) the applicable Margin (if any), all as determined by the Calculation Agent.

"**Compounded SOFR**" means, with respect to an Interest Accrual Period, the rate determined by the Calculation Agent in accordance with the following formula (and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards):

where: $$\left(\frac{SOFRIndex_{End}}{SOFRIndex_{Start}} - 1\right) x \frac{360}{d_c}$$

"**d_c**" is the number of calendar days from (and including) the day in relation to which SOFR $Index_{Start}$ is determined to (but excluding) the day in relation to which SOFR $Index_{End}$ is determined;

"**Relevant Number**" is the number specified as such in the applicable Final Terms (or, if no such number is specified, five and, if less than five is so specified, then only with prior agreement of the Calculation Agent);

"**SOFR**" means the daily secured overnight financing rate as provided by the SOFR Administrator on the SOFR Administrator's Website;

"**SOFR Administrator**" means the Federal Reserve Bank of New York (or a successor administrator of SOFR);

"**SOFR Administrator's Website**" means the website of the SOFR Administrator, or any successor source;

"**SOFR Index**", with respect to any US Government Securities Business Day, means the SOFR index value as published by the SOFR Administrator as such index appears on the SOFR Administrator's Website at or around 3.00 p.m. (New York time) on such US Government Securities Business Day (the "**SOFR Determination Time**");

"**SOFR $Index_{Start}$**", with respect to an Interest Accrual Period, is the SOFR Index value for the day which is the Relevant Number of US Government Securities Business Days preceding the first day of such Interest Accrual Period; and

"**SOFR $Index_{End}$**", with respect to an Interest Accrual Period, is the SOFR Index value for the day which is the Relevant Number of US Government Securities Business Days preceding (A) the Interest Payment Date for

such Interest Accrual 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 Accrual Period).

If, as at any relevant SOFR Determination Time, the relevant SOFR Index is not published or displayed on the SOFR Administrator's Website by the SOFR Administrator, the Compounded SOFR for the applicable Interest Accrual Period for which the relevant SOFR Index is not available shall be "Compounded Daily SOFR" determined in accordance the section entitled "*Compounded Daily SOFR – Non-Index Determination"* above as if *"Index Determination"* were specified in the applicable Final Terms as being '*Not Applicable'*, and for these purposes: (i) the *"Observation Method"* shall be deemed to be *"Shift"* and (ii) the *"Shift Period"* shall be deemed to be equal to the Relevant Number of US Government Securities Business Days, as if such alternative elections had been made in the applicable Final Terms.

EURIBOR

"**EURIBOR**" means (subject to "*—Benchmark discontinuation*" if applicable) the rate determined in accordance with the following provisions:

(1) With respect to any Interest Determination Date relating to a Floating Rate Note or Reset Note for which the interest rate is determined with reference to EURIBOR, EURIBOR will be the rate for deposits in euro for a period of the Index Maturity as specified in such Final Terms commencing on the applicable Interest Reset Date, that appears on the Designated EURIBOR Page as of 11:00 A.M., Brussels time, on such Interest Determination Date; or if no such rate so appears, EURIBOR on such Interest Determination Date will be determined in accordance with the provisions described in clause (2) below.

(2) With respect to an Interest Determination Date on which no rate appears on the Designated EURIBOR Page as specified in clause (1) above, the Calculation Agent will request the principal Eurozone office of each of four major reference banks (which may include affiliates of the Placement Agents) in the Eurozone interbank market, as selected by the Calculation Agent (after consultation with us), to provide the Calculation Agent with its offered quotation for deposits in euro for the period of the Index Maturity specified in the applicable Final Terms commencing on the applicable Interest Reset Date, to prime banks in the Eurozone interbank market at approximately 11:00 A.M., Brussels time, on such EURIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in euro in such market at such time. If at least two such quotations are so provided, then EURIBOR on such Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, then EURIBOR on such Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., Brussels time, on such Interest Determination Date by three major banks (which may include affiliates of the Placement Agents) in the Eurozone selected by the Calculation Agent (after consultation with us) for loans in euro to leading European banks, having the Index Maturity specified in the applicable Final Terms commencing on that Interest Reset Date and in a principal amount that is representative for a single transaction in euro in such market at such time; provided, however, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, EURIBOR determined as of such Interest Determination Date will be EURIBOR in effect on such Interest Determination Date, or, if no EURIBOR was in effect on such Interest Determination Date, the rate on such Floating Rate Note or Reset Note for the following Interest Reset Period shall be the Initial Interest Rate specified in the applicable Final Terms or, in the case of notes with an Interest Basis that converts from a fixed rate to a floating rate, the fixed rate applicable to such notes immediately prior to the conversion of the Interest Basis.

"**Designated EURIBOR Page**" means the display on the page specified in the applicable Final Terms for the purpose of displaying the Eurozone interbank rates of major banks for the euro; provided, however, if no such page is specified in the applicable Final Terms, the display on Reuters (or any successor service) on the EURIBOR 01 page (or any other page as may replace such page on such service) shall be used.

"**Eurozone**" means the region comprised of member states of the European Union that have adopted the single currency in accordance with the Treaty on European Union signed at Maastricht on February 7, 1992.

Federal Funds Rate

"**Federal Funds Rate**" means, with respect to any Interest Determination Date relating to a Floating Rate Note or Reset Note for which the interest rate is determined with reference to the Federal Funds Rate (and subject to "*—Benchmark discontinuation*" if applicable), the rate on such date for U.S. dollar federal funds as published in H.15 opposite the heading "Federal Funds (Effective)," as such rate is displayed on Reuters (or any successor service) on page FEDFUNDS 1 (or any other page as may replace such page) ("**Reuters Page FEDFUNDS 1**"), or, if such rate does not appear on Reuters Page FEDFUNDS 1 or is not so published by 5:00 p.m., New York City time, on the related Calculation Date, the rate on such Interest Determination Date for U.S. dollar federal funds as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "Federal Funds (Effective)." If such rate does not appear on Reuters Page FEDFUNDS 1 or is not yet published in H.15, H.15 Daily Update or another recognized electronic source by 5:00 p.m. New York City time on the related Calculation Date, then the Federal Funds Rate on such Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight U.S. dollar federal funds arranged by three leading brokers of U.S. dollar federal funds transactions in New York City (which may include the Placement Agents or their affiliates) selected by the Calculation Agent (after consultation with us) prior to 9:00 a.m., New York City time, on such Interest Determination Date; provided, however, that if the brokers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate determined as of such Interest Determination Date will be the Federal Funds Rate in effect on such Interest Determination Date, or, if no Federal Funds Rate was in effect on such Interest Determination Date, the rate on such Floating Rate Note or Reset Note for the following Interest Reset Period shall be the Initial Interest Rate specified in the applicable Final Terms.

Prime Rate

"**Prime Rate**" means, with respect to any Interest Determination Date relating to a Floating Rate Note or Reset Note for which the interest rate is determined with reference to the Prime Rate (and subject to "*—Benchmark discontinuation*" if applicable), the rate on such date as such rate is published in H.15 opposite the caption "Bank Prime Loan" or, if not published by 5:00 p.m., New York City time, on the day that is one New York City Banking Day following the Interest Reset Date pertaining to such Interest Determination Date, the rate on such Interest Determination Date as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, opposite the caption "Bank Prime Loan." If such rate is not yet published in H.15, H.15 Daily Update or another recognized electronic source by 5:00 p.m. New York City time on the day that is one New York City Banking Day following the Interest Reset Date pertaining to such Interest Determination Date, then the Prime Rate shall be the arithmetic mean, as determined by the Calculation Agent, of the rates of interest publicly announced by three major banks (which may include affiliates of the Placement Agents) in New York City selected by the Calculation Agent (after consultation with us) as the U.S. dollar prime rate or base lending rate in effect for such Interest Determination Date. (Each change in the prime rate or base lending rate of any bank so announced by such bank will be effective as of the effective date of the announcement or, if no effective date is specified, as of the date of the announcement.) If fewer than three major banks (which may include affiliates of the Placement Agents) so selected in New York City have publicly announced a U.S. dollar prime rate or base lending rate for such Interest Determination Date, the Prime Rate with respect to such Interest Determination Date shall be the rate in effect on such Interest Determination Date, or, if no Prime Rate was in effect on such Interest Determination Date, the rate on such Floating Rate Note or Reset Note for the following Interest Reset Period shall be the Initial Interest Rate specified in the applicable Final Terms.

Treasury Rate

"**Treasury Rate**" means, with respect to any Interest Determination Date relating to a Floating Rate Note or Reset Note for which the interest rate is determined by reference to the Treasury Rate (and subject to "*—Benchmark discontinuation*" if applicable), the rate from the auction held on such Interest Determination Date (the "**Auction**") of direct obligations of the United States ("**Treasury Bills**") having the Index Maturity specified

in the applicable Final Terms under the caption "INVEST RATE" on the display on Reuters (or any successor service) on page USAUCTION 10 (or any other page as may replace such page) ("**USAUCTION 10**") or page USAUCTION 11 (or any other page as may replace such page) ("**USAUCTION 11**") or, if not so published by 3:00 p.m., New York City time, on the related Calculation Date, the Bond Equivalent Yield (as defined below) of the rate for such Treasury Bills as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "U.S. Government Securities/Treasury Bills/ Auction High" or, if not so published by 3:00 p.m., New York City time, on the related Calculation Date, the Bond Equivalent Yield of the auction rate of such Treasury Bills as announced by the U.S. Department of the Treasury. In the event that the auction rate of Treasury Bills having the Index Maturity specified in the applicable Final Terms is not so announced by the U.S. Department of the Treasury, or if no such Auction is held, then the Treasury Rate will be the Bond Equivalent Yield of the rate on such Interest Determination Date of Treasury Bills having the Index Maturity specified in the applicable Final Terms as published in H.15 under the caption "U.S. Government Securities/Treasury Bills/Secondary Market" or, if not yet published by 3:00 p.m., New York City time, on the related Calculation Date, the rate on such Interest Determination Date of such Treasury Bills as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "U.S. Government Securities/Treasury Bills/Secondary Market." If such rate is not yet published in H.15, H.15 Daily Update or another recognized electronic source, then the Treasury Rate will be calculated by the Calculation Agent and will be the Bond Equivalent Yield of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 p.m., New York City time, on such Interest Determination Date, of three primary U.S. government securities dealers (which may include the Placement Agents or their affiliates) selected by the Calculation Agent (after consultation with us), for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity specified in the applicable Final Terms; provided, however, that if the dealers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Treasury Rate determined as of such Interest Determination Date will be the Treasury Rate in effect on such Interest Determination Date, or, if no Treasury Rate was in effect on such Interest Determination Date, the rate on such Floating Rate Note Reset Note for the following Interest Reset Period shall be the Initial Interest Rate specified in the applicable Final Terms.

"**Bond Equivalent Yield**" means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Bond Equivalent Yield} = \frac{D \times N \times 100}{360 - (D \times M)}$$

where "**D**" refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis, "**N**" refers to 365 or 366, as the case may be, and "**M**" refers to the actual number of days in the applicable Interest Reset Period.

Minimum and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then the Rate of Interest for such Interest Period shall in no event be less than such Minimum Rate of Interest and/or if it specifies a Maximum Rate of Interest for any Interest Period, then the Rate of Interest for such Interest Period shall in no event be greater than such Maximum Rate of Interest.

The interest rate on Floating Rate Notes or Reset Notes will in no event be higher than the maximum rate permitted by New York law, as the same may be modified, or other applicable law.

Determination of Rate of Interest and calculation of Interest Amount; Percentages

The Calculation Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period (or other Interest Accrual Period).

The Calculation Agent will calculate the amount of interest (each an "**Interest Amount**") for the relevant Interest Period (or other Interest Accrual Period). Each Interest Amount shall be calculated by applying the Rate of Interest to the aggregate outstanding nominal amount of the notes and multiplying such sum by the Day Count Fraction specified in the applicable Final Terms. The resultant figure will be rounded as follows (or otherwise in accordance with applicable market convention):

(i) all United States Dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up);

(ii) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen; and

(iii) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

All percentages resulting from any calculation on Floating Rate Notes or Reset Notes will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five or more one millionths of a percentage point rounded upwards (e.g., 9.876545% (or 0.09876545) would be rounded to 9.87655% (or 0.0987655)).

Notification of Rate of Interest and Interest Amounts

Except where the Interest Rate Basis in respect of the Floating Rate Notes or Reset Notes is specified in the applicable Final Terms as being *"Compounded Daily SONIA – Non-Index Determination"*, *"Compounded Daily SONIA – Index Determination"*, *"Compounded Daily SOFR—Non-Index Determination"*, *"Average SOFR"* or *"Compounded Daily SOFR – Index Determination"*, the Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to us, to the Trustee and to any listing authority, stock exchange and/or quotation system to which the Floating Rate Notes or Reset Notes have then been admitted to listing, trading and/or quotation and to be published as soon as possible after their determination but in no event later than the fourth Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will promptly be notified to each listing authority, stock exchange and/or quotation system to which the Floating Rate Notes or Reset Notes have then been admitted to listing, trading and/or quotation and to the holders in accordance with the Indenture.

Where the Interest Rate Basis in respect of the relevant Floating Rate Notes or Reset Notes is specified in the applicable Final Terms as being *"Compounded Daily SONIA – Non-Index Determination"*, *"Compounded Daily SONIA – Index Determination"*, *"Compounded Daily SOFR – Non-Index Determination", "Average SOFR" or "Compounded Daily SOFR – Index Determination"*, the Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Accrual Period and the relevant Interest Payment Date to be notified to the Issuer and the Trustee and to any listing authority, stock exchange and/or quotation system to which the Floating Rate Notes or Reset Notes have then been admitted to listing, trading and/or quotation and to be published as soon as possible after their determination but in no event later than the second Business Day thereafter. Each Rate of Interest, Interest Amount and Interest Payment Date so notified 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 relevant Interest Accrual Period. Any such amendment or alternative arrangements will promptly be notified to each listing authority, stock exchange and/or quotation system to which the Floating Rate Notes or Reset Notes have then been admitted to listing, trading and/or quotation and to the holders in accordance with the Indenture.

Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this subsection, whether by the Paying Agent or the Calculation Agent or the Trustee, shall (in the absence of manifest error) be binding on us, the Paying Agent, the Calculation Agent, the Trustee, any other paying agents and all holders and (in the absence of willful default, bad faith or manifest error) no liability to us or the holders shall attach to the Paying Agent, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by them of their powers, duties and discretions pursuant to such provisions.

Benchmark discontinuation

I. Benchmark discontinuation provisions for all notes other than SOFR notes

The provisions contained in this subsection "*–Benchmark discontinuation – I. Benchmark discontinuation provisions for all notes other than SOFR notes*" are applicable to all notes other than Floating Rate Notes or Reset Notes (other than Reset Notes which reset only once) whose interest basis is SOFR. These provisions "*—Benchmark discontinuation*" apply only if "*Benchmark Replacement*" is specified to be applicable in the applicable Final Terms.

If a Benchmark Event occurs in relation to an Original Reference Rate (other than in relation to a Benchmark Event occurring in relation to SOFR, in which case the terms set forth in "*–Benchmark discontinuation – II. Benchmark discontinuation provisions for SOFR notes*" shall apply) at any time when any rate of interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the following provisions shall apply.

Independent Adviser

We shall use reasonable endeavors to appoint and consult with an Independent Adviser, as soon as reasonably practicable, with a view to our determining a Successor Rate, failing which an Alternative Rate and, in either case, the applicable Adjustment Spread and any Benchmark Amendments.

If, notwithstanding our reasonable endeavors, we are unable to appoint and consult with an Independent Adviser in accordance with the foregoing paragraph, we 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 us pursuant to this provision "*—Benchmark discontinuation*", notwithstanding that such determinations are not made following consultation with an Independent Adviser. If, however, we are unable 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 provision "*—Benchmark discontinuation*", the provisions of "*—Benchmark discontinuation – Fallbacks*" below shall apply.

An Independent Adviser appointed pursuant to this provision "*—Benchmark discontinuation*" shall act in good faith. In the absence of bad faith or fraud, neither we nor any Independent Adviser shall have any liability whatsoever to the Trustee, the Paying Agents, any calculation agent or the noteholders for any determination made by us or any Independent Adviser or (in the case of the Independent Adviser) for any advice given to us in connection with any determination made by us.

Successor Rate or Alternative Rate

If we, following consultation with such Independent Adviser (if appointed), determine in good faith that:

(A) there is a Successor Rate, then such Successor Rate, as adjusted by the applicable Adjustment Spread determined as provided below under "Adjustment Spread", shall subsequently be used in place of the Original Reference Rate to determine the relevant rate(s) of interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the notes (subject to the further operation of this provision "*—Benchmark discontinuation*"); or

(B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate as adjusted by the applicable Adjustment Spread determined as provided below under "*Adjustment Spread*", shall subsequently be used in place of the Original Reference Rate to determine the relevant rate(s) of interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the notes (subject to the further operation of this provision "*—Benchmark discontinuation*").

Adjustment Spread

If a Successor Rate or Alternative Rate is determined in accordance with the foregoing provisions, we, 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).

Benchmark Amendments

If any Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread is determined in accordance with this provision "*—Benchmark discontinuation*" and we, following consultation with the Independent Adviser (if appointed) determine in good faith (A) that amendments to these terms and conditions and/or the Indenture (including, without limitation, amendments to the definitions of Day Count Fraction, Business Days, Reset Determination Date, or Relevant Screen Page) are necessary to ensure the proper operation (having regard to prevailing market practice, if any) of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (B) the terms of the Benchmark Amendments, then (subject to "*—Regulatory capital / eligible liabilities*" below) we shall, subject to giving notice thereof in the manner specified below, without any requirement for the consent or approval of noteholders, vary these terms and conditions and/or the Indenture to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At our request, but subject to receipt by the Trustee of a certificate signed by two of our authorized signatories pursuant to the provisions below, the Trustee shall (at our expense), without any requirement for the consent or approval of the noteholders, be obliged to concur with us in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Indenture) and the Trustee shall not be liable to any party for any consequences thereof, provided that the Trustee shall not be obliged so to concur if in the sole opinion of the Trustee doing so would (i) expose the Trustee, the Calculation Agent or the Paying Agent, as applicable, to any liability against which the relevant entity has not been indemnified or secured or pre-funded to its satisfaction or (ii) impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend rights and/or the protective provisions afforded to the Trustee in these terms and conditions or the Indenture (including, for the avoidance of doubt, any supplemental indenture) in any way.

In connection with any such variation in accordance with this provision "*—Benchmark discontinuation*", we shall comply with the rules of any stock exchange on which the notes are for the time being listed or admitted to trading.

Notices, etc.

We shall notify the Trustee, the Calculation Agent, the Paying Agents and, in accordance with this sub-section "-*Notices, etc.*", the noteholders, promptly of any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this section "*—Benchmark discontinuation*". Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Trustee of the same, we shall deliver to the Trustee a certificate signed by two authorized signatories:

(A) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this section "*—Benchmark discontinuation*";

(B) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread; and

(C) certifying that (i) we have duly consulted with an Independent Adviser with respect to each of the matters above or, if that is not the case, (ii) explaining, in reasonable detail, why we have not done so.

(D) The Trustee shall be entitled to rely on such certificate (without inquiry or liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread and Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error in the determination of the Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Trustee's ability to rely on such certificate as aforesaid) be binding on us, the Trustee, the Calculation Agent, the Paying Agents and the noteholders.

Survival of Original Reference Rate

Without prejudice to our obligations under the provisions of this section "*—Benchmark discontinuation*", the Original Reference Rate and the fallback provisions provided for in "*Interest—Interest on Floating Rate Notes*" and "*Interest—Interest on Reset Notes*", as applicable, will continue to apply unless and until the Calculation Agent has been notified of the Successor Rate or the Alternative Rate (as the case may be) and (in either case) of the applicable Adjustment Spread and the relevant Benchmark Amendments (if any).

Regulatory capital / eligible liabilities

Notwithstanding any other provision of this section "*—Benchmark discontinuation*", no Successor Rate, Alternative Rate or Adjustment Spread will be adopted, nor will any Benchmark Amendments be effected, if and to the extent that, in our determination, the same could reasonably be expected either (i) to prejudice the qualification of the relevant series of notes as Tier 2 Capital and/or as eligible liabilities or loss absorbing capacity instruments for the purposes of any Loss Absorption Regulations or (ii) (in the case of Senior Non-Preferred Notes only) to result in the relevant Supervisory Authority treating the Interest Payment Date or the Reset Date, as the case may be, as the effective maturity date of the notes, rather than the relevant maturity date.

Fallbacks

If, following the occurrence of a Benchmark Event and in relation to the determination of the Rate of Interest on the immediately following Interest Determination Date or Reset Determination Date (as applicable), no Successor Rate or Alternative Rate (as applicable) is determined pursuant to this provision or (as the case may be) a Successor Rate or Alternative Rate (as applicable) is determined, but no Adjustment Spread is determined pursuant to this provision, the original benchmark or screen rate (as applicable) will continue to apply for the purposes of determining such Rate of Interest on such Interest Determination Date or Reset Determination Date (as the case may be), with the effect that the fallback provisions provided in "*Interest—Interest on Floating Rate Notes"* or *"Interest—Interest on Reset Notes"*, as applicable, will continue to apply to such determination.

In such circumstances, we will be entitled (but not obliged), at any time thereafter, to elect to re-apply the provisions of "*—Benchmark discontinuation*", *mutatis mutandis*, on one or more occasions until a Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread and any Benchmark Amendments

have been determined and notified in accordance with this provision "*—Benchmark discontinuation*" (and, until such determination and notification (if any), the fallback provisions provided in "*Interest– Interest on Floating Rate Notes*" or "*Interest– Interest on Reset Notes,* as applicable, will continue to apply).

Our intention is that, in circumstances where we have been unable to determine a Successor Rate or Alternative Rate (as applicable) and (in either case) Adjustment Spread pursuant the provision "—Benchmark discontinuation", we will elect to re-apply such provisions if and when, in our sole determination, there have been such subsequent developments (whether in applicable law, market practice or otherwise) as would enable us successfully to apply such provisions and determine a Successor Rate or Alternative Rate (as applicable) and (in either case) the applicable Adjustment Spread and the applicable Benchmark Amendments (if any).

Preparation in anticipation of a Benchmark Event

If we anticipate that a Benchmark Event will or may occur, nothing in these provisions shall prevent us (in our sole discretion) from taking, prior to the occurrence of such Benchmark Event, such actions as we consider expedient in order to prepare for applying the provisions of *"—Benchmark discontinuation*" (including, without limitation, appointing and consulting with an Independent Adviser, and seeking to identify any Successor Rate, Alternative Rate, Adjustment Spread and/or Benchmark Amendments), provided that no Successor Rate, Alternative Rate, Adjustment Spread and/or Benchmark Amendments will take effect until the relevant Benchmark Event has occurred.

Definitions

In this subsection *"—I. Benchmark discontinuation provisions for all notes other than SOFR notes":*

"**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 Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(B) in the case of an Alternative Rate (or in the case of a Successor Rate where (A) above does not apply), we, following consultation with the Independent Adviser (if appointed) and acting in good faith, determine 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 Original 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 we, following consultation with the Independent Adviser (if appointed), determine there is no such spread, formula or methodology in customary market usage or which is industry-accepted under (B) above, we, in our discretion, following consultation with the Independent Adviser (if appointed) and acting in good faith and in a commercially reasonable manner, determine to be appropriate having regard to the objective, so far as is reasonably practicable in the circumstances, of reducing or eliminating any economic prejudice or benefit (as the case may be) to the noteholders;

"**Alternative Rate**" means an alternative benchmark or screen rate which we, following consultation with the Independent Adviser (if appointed), determine in accordance with this section "*—Benchmark discontinuation*" has replaced the Original 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 a commensurate interest period and in the same Specified Currency as the notes;

"**Benchmark Event**" means, with respect to an Original Reference Rate, any one or more of the following:

(A) the Original 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 Original Reference Rate that it has ceased or will cease to publish the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate);

(C) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original 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 Original Reference Rate that the Original 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 notes; or

(E) it has or will prior to the next Interest Determination Date or Reset Determination Date, as applicable, become unlawful for us, the Calculation Agent, or any Paying Agent to calculate any payments due to be made to any noteholder using the Original Reference Rate (including, without limitation, under Regulation (EU) 2016/1011 as that Regulation applies in the European Union and/or as it applies in the United Kingdom in the form retained as domestic law in the United Kingdom under the European Union (Withdrawal) Act 2018 as amended, if applicable),

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 Original Reference Rate;

(ii) in the case of (C) above, the discontinuation of the Original Reference Rate; or

(iii) in the case of (D) above, the date on which the Original 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).

"**Original Reference Rate**" means the benchmark or screen rate (as applicable) originally specified for the purpose of determining the relevant rate of interest (or any relevant component part(s) thereof) on the notes (provided that if, following one or more Benchmark Events, such originally specified Reference Rate (or any Successor Rate or Alternative Rate which has replaced it) has been replaced by a (or a further) Successor Rate or Alternative Rate and a Benchmark Event subsequently occurs in respect of such Successor Rate or Alternative Rate, the term "Original Reference Rate" shall be deemed to include any such Successor Rate or Alternative Rate);

"**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; and

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

II. Benchmark discontinuation provisions for SOFR notes

The provisions contained in this subsection "*–Benchmark discontinuation –II. Benchmark discontinuation provisions for SOFR notes*" are applicable to all notes Floating Rate Notes or Reset Notes (other than Reset Notes which reset only once) whose interest basis are SOFR. These provisions "*—Benchmark discontinuation*" apply only if "*Benchmark Replacement*" is specified to be applicable in the applicable Final Terms.

Notwithstanding the provisions of "*—Benchmark discontinuation—I. Benchmark discontinuation provisions for all notes other than SOFR notes*" above, if the Issuer determines on or prior to the relevant Interest Determination Date that a Benchmark Transition Event has occurred with respect to SOFR, then the following provisions shall apply.

(a) If the Issuer determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any determination of the Benchmark on any date applicable to any SOFR notes, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to any SOFR notes in respect of such determination on such date and all determinations on all subsequent dates.

(b) In connection with the implementation of a Benchmark Replacement with respect to any SOFR notes, the Issuer will have the right to make Benchmark Replacement Conforming Changes with respect to any SOFR notes from time to time.

(c) At our request, but subject to receipt by the Trustee of a certificate signed by two of our authorized signatories pursuant to the provisions below, the Trustee shall (at our expense), without any requirement for the consent or approval of the noteholders, be obliged to concur with us in effecting any Benchmark Replacement Conforming Changes (including, inter alia, by the execution of a deed supplemental to or amending the Indenture) and the Trustee shall not be liable to any party for any consequences thereof, provided that the Trustee shall not be obliged so to concur if in the sole opinion of the Trustee doing so would (i) expose the Trustee, the Calculation Agent or the Paying Agent, as applicable, to any liability against which the relevant entity has not been indemnified or secured or pre-funded to its satisfaction or (ii) impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend rights and/or the protective provisions afforded to the Trustee in these terms and conditions or the Indenture (including, for the avoidance of doubt, any supplemental indenture) in any way.

(d) In connection with any such variation in accordance with the provisions in this subsection, we shall comply with the rules of any stock exchange on which the notes are for the time being listed or admitted to trading.

(e) We shall notify the Trustee, the Calculation Agent, the Paying Agents and, in accordance with the sub-section *"-Notices, etc.*", the noteholders, promptly of any Benchmark Replacement and Benchmark Replacement Adjustment as well the specific terms of any Benchmark Replacement Conforming Changes, determined pursuant to the provisions of this subsection. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Replacement Conforming Changes, if any.

(f) No later than notifying the Trustee of the same, we shall deliver to the Trustee a certificate signed by two authorized signatories:

(1) confirming (i) that a Benchmark Transition Event has occurred, (ii) the Benchmark Replacement, (iii) the applicable Benchmark Replacement Adjustment and (iv) the specific terms of the Benchmark Replacement Conforming Changes (if any), in each case as determined in accordance with the provisions of this sub section; and

(2) certifying that the Benchmark Replacement Conforming Changes are necessary to ensure the proper operation of such Benchmark Replacement and the applicable Benchmark Replacement Adjustment.

(b) The Trustee shall be entitled to rely on such certificate (without inquiry or liability to any person) as sufficient evidence thereof. The Benchmark Replacement and the applicable Benchmark Replacement Adjustment and Benchmark Replacement Conforming Changes (if any) specified in such certificate will (in the absence of manifest error in the determination of the Benchmark Replacement and the applicable Benchmark Replacement Adjustment and the Benchmark Replacement Conforming Changes (if any) and without prejudice to the Trustee's ability to rely on such certificate as aforesaid) be binding on us, the Trustee, the Calculation Agent, the Paying Agents and the noteholders.

(c) Notwithstanding the definitions of business day, OBFR, OBFR Index Cessation Date, OBFR index cessation event, SOFR, SOFR Index Cessation Date, SOFR Index Cessation Event, and US Government Securities Business Day set out above, the following definitions shall apply with respect to this section titled "*– II. Benchmark discontinuation provisions for SOFR notes*":

"**Benchmark**" means, initially, SOFR; provided that if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to SOFR or the then-current Benchmark, then "Benchmark" means the applicable Benchmark Replacement.

"**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by the Issuer as of the Benchmark Replacement Date:

(1) the sum of: (a) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark for the applicable Corresponding Tenor and (b) the Benchmark Replacement Adjustment;

(2) the sum of: (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment;

(3) the sum of: (a) the alternate rate of interest that has been selected by the Issuer as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for any SOFR notes, as applicable, at such time and (b) the Benchmark Replacement Adjustment.

"**Benchmark Replacement Adjustment**" means the first alternative set forth in the order below that can be determined by the Issuer as of the Benchmark Replacement Date:

(1) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected, endorsed or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(2) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, then the ISDA Fallback Adjustment;

(3) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for any SOFR notes at such time.

"**Benchmark Replacement Conforming Changes**" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes with respect to any SOFR notes (including changes to the definition of "interest period", timing and frequency of determining rates and making payments of interest, changes to the definition of "Corresponding Tenor" solely when such tenor is longer than the interest period and other administrative matters) that the Issuer decides may be appropriate to reflect the adoption of such Benchmark Replacement with respect to any SOFR notes in a manner substantially consistent with market practice (or, if the Issuer decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer determines is reasonably necessary).

"**Benchmark Replacement Date**" means:

(1) in the case of paragraph (1) or (2) of the definition of "Benchmark Transition Event" below, the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the relevant Benchmark permanently or indefinitely ceases to provide such Benchmark, or

(2) in the case of paragraph (3) of the definition of "Benchmark Transition Event" below, the date of the public statement or publication of information;

provided, however, that on or after the 60th day preceding the date on which such Benchmark Replacement Date would otherwise occur (if applicable), the Issuer may give written notice to holders of any SOFR notes in which the Issuer designates an earlier date (but not earlier than the 30th day following such notice) and represents that such earlier date will facilitate an orderly transition of any SOFR notes to the Benchmark Replacement, in which case such earlier date shall be the Benchmark Replacement Date.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination.

"**Benchmark Transition Event**" means the occurrence of one or more of the following events with respect to the then-current Benchmark:

(1) a public statement or publication of information by or on behalf of the administrator of the Benchmark announcing that the administrator has ceased or will cease to provide the Benchmark permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark;

(2) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark, the central bank for the currency of the Benchmark, an

insolvency official with jurisdiction over the administrator for the Benchmark, a resolution authority with jurisdiction over the administrator for the Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark has ceased or will cease to provide the Benchmark permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark; or

(3) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative.

"**Corresponding Tenor**" with respect to a Benchmark Replacement means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the then-current Benchmark.

"**Federal Reserve Bank of New York's website**" means the website of the Federal Reserve Bank of New York at http://www.newyorkfed.org, or any successor source (for the avoidance of doubt, this website (and/or any successor source) and the contents thereof do not form part of this base prospectus).

"**ISDA Definitions**" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time.

"**ISDA Fallback Adjustment**" means the spread adjustment, (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark for the applicable tenor.

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment.

"**Reference Time**" with respect to any determination of the Benchmark means (1) if the Benchmark is SOFR, 2:00 p.m. (London time) on the day that is two London Banking Days preceding the date of such determination and (2) if the Benchmark is not SOFR, the time determined by the Issuer in accordance with the Benchmark Replacement Conforming Changes.

"**Relevant Governmental Body**" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

"**Unadjusted Benchmark Replacement**" means the Benchmark Replacement excluding the applicable Benchmark Replacement Adjustment.

(a) To the extent that there is any inconsistency between the conditions set out in this subsection titled "*– II. Benchmark discontinuation provisions for SOFR notes*" and any provisions in this section "*--Terms and Conditions of the Notes*", the statements in this subsection shall prevail with respect to any SOFR notes.

(b) Nothing in this subsection titled "*– II. Benchmark discontinuation provisions for SOFR notes*" affects the rights of the noteholders other than any SOFR notes.

(c) For the avoidance of doubt, the Issuer may propose that a Benchmark Replacement replace the then-current Benchmark and any Benchmark Replacement Conforming Changes on more than one occasion provided that the conditions set out in this subsection titled "*– II. Benchmark discontinuation provisions for SOFR notes*" are satisfied.

Additional Notes

We may issue additional notes of a series having identical terms to that of a prior series of notes of the same series but for the Original Issue Date, the first interest payment date, initial interest accrual date and the offering price ("**Additional Notes**"). The Final Terms relating to any Additional Notes will set forth matters related to such issuance, including identifying the prior series of notes, their Original Issue Date and the aggregate principal amount of notes then comprising such series.

Payment of additional amounts

In the event of any deduction or other withholding for or on account of any present or future tax, assessment, duty or other governmental charge of any nature whatsoever imposed, levied or collected by or on behalf of the United Kingdom, or any political subdivision thereof or authority therein having power to tax, in respect of any payments in respect of any note:

(i) in the case of all senior preferred notes, we will (subject as follows) pay to the holder of such note such additional amounts as may be necessary in order that every net payment of the principal of (including premium or final redemption amount or early redemption amount, if any, or other amount payable in respect thereof) and interest, if any, on such note, will not be less than the amount provided for in such note as then due and payable; and

(ii) in the case of all subordinated notes and senior non-preferred notes, we will (subject as follows) pay to the holder of such note such additional amounts as may be necessary in order that every net payment of interest, if any, on such note, will not be less than the amount provided for in such note as then due and payable. However, we will not pay any such additional amounts in respect of any principal of (including premium or final redemption amount or early redemption amount, if any, or other amount payable in respect thereof) any such note.

Furthermore, and without prejudice to the foregoing, no such additional amounts shall, however, be payable on any note for or on account of any tax, assessment, duty or other governmental charge which is payable:

(1) otherwise than by deduction or withholding from any payments of (in the case of senior preferred notes) principal (including premium or final redemption amount or early redemption amount, if any, or other amount payable in respect thereof) or (in the case of any notes) interest, if any, on such note;

(2) by reason of the holder or beneficial owner who is liable for such taxes having some connection with the United Kingdom (including being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in the United Kingdom) other than by the mere holding of such note or enforcement of rights thereunder or the receipt of payments in respect thereof;

(3) by reason of a change in law or official practice of any relevant taxing authority that becomes effective more than 30 days after the Relevant Date (as defined below) for payment of (in the case of senior preferred notes) principal (including premium or final redemption amount or early redemption amount, if any, or other amount payable in respect thereof) or (in the case of any notes) interest, if any, in respect of such note;

(4) by reason of any estate, excise, inheritance, gift, sales, transfer, wealth, personal property tax or any similar assessment or governmental charge;

(5) as a result of the failure of a holder to satisfy any statutory requirements or make a declaration of non-residence or other similar claim for exemption to the relevant tax authority;

(6) owing to a combination of clauses (1) through (4) above; or

(7) pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

"**Relevant Date**" means the date on which the payment of principal (including premium or final redemption amount or early redemption amount, if any, or other amount payable in respect thereof) or interest, if any, on a note first becomes due and payable but, if the full amount of the monies payable on such date has not been received by the relevant paying agent or as it shall have directed on or prior to such date, the "**Relevant Date**" means the date on which such monies shall have been so received. No additional amounts will be paid as provided above with respect to any payment of principal (including premium or final redemption amount or early redemption amount, if any, or other amount payable in respect thereof) or interest, if any, on such note to any holder who is a fiduciary or partnership or other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner of such payment would not have been entitled to the additional amounts had such beneficiary, settlor, member or beneficial owner been the holder of any such note.

Redemption, Repurchase, Substitution and Variation

Final Redemption

Unless previously redeemed or purchased and canceled as provided below, each note will be redeemed at 100% of its nominal amount in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

Redemption for Tax Reasons

If the Issuer at any time satisfies the Trustee immediately prior to the giving of the notice referred to below that:

(1) (in the case of senior preferred notes) on the occasion of the next payment due in respect of the notes, the Issuer will or would be required to pay additional amounts as described under "—*Payment of additional amounts*" or to account to any taxing authority in the United Kingdom for any amount (other than any tax withheld or deducted from interest payable in respect of the notes) calculated by reference to any amount payable in respect of the notes; or

(2) (in the case of subordinated notes and senior non-preferred notes) a Tax Event has occurred;

and, in any such case, the Issuer cannot avoid the same by taking reasonable measures available to it, then the Issuer may in its sole discretion (and, in the case of subordinated notes, in accordance with "—*Preconditions to Redemption and Purchase of Subordinated Notes*" or, in the case of senior non-preferred notes, in accordance with "—*Preconditions to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Notes*"), having given notice of not more than 30 days nor less than 15 days prior to the date of redemption to the Trustee and, in accordance with "—*Notices*", the noteholders (which notice shall be irrevocable), redeem at any time (if such notes are not Floating Rate Notes or Reset Notes (other than Reset Notes which reset only once)) or on any Interest Payment Date (if such notes are Floating Rate Notes or Reset Notes (other than Reset Notes which reset only once)) all (but not some only) of the notes at their early redemption amount as provided under "—*Early Redemption Amounts*" together, if applicable, with interest accrued to (but excluding) the date fixed for redemption. Upon the expiry of such notice the Issuer shall be bound to redeem the notes accordingly.

Prior to the publication of any notice of early redemption pursuant to the provisions set forth above, the Issuer shall deliver to the Trustee a certificate signed by any two authorized signatories of the Issuer confirming that the relevant circumstances in (1) above (in the case of senior preferred notes) or (2) above (in the case of subordinated notes and senior non-preferred notes) have occurred and are continuing. The Trustee shall be entitled, without liability to any person, to accept such certificate without any further inquiry as sufficient evidence of the

satisfaction of the relevant conditions precedent, in which event it shall be conclusive and binding on the Trustee and the noteholders.

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

(i) in making any payments on the subordinated notes or the senior non-preferred notes, the Issuer has paid or will or would on the next payment date be required to pay additional amounts as described under "*—Payment of additional amounts*";

(ii) the Issuer is no longer, or will no longer be, entitled to claim a deduction in respect of any payments in respect of the subordinated notes or the senior non-preferred notes in computing its taxation liabilities or the amount of such deduction is or will be materially reduced;

(iii) the subordinated notes or the senior non-preferred notes are, or will be, prevented from being treated as loan relationships for United Kingdom tax purposes; or

(iv) the Issuer is not, or will not be, able to have losses or deductions set against any profits or gains, or profits or gains offset by any losses or deductions, of companies with which it is or would otherwise be so grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the date of issue of the latest tranche of subordinated notes or senior non-preferred notes or any similar system or systems having like effect as may from time to time exist).

As used herein, "**Tax Law Change**" means any change in, or amendment to, the laws or regulations of the United Kingdom (including any treaty to which it is a party) or any political subdivision or any authority thereof or therein having power to tax, or any change in the official interpretation thereof by the relevant tax authority or in the application of such laws or regulations 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 or any pronouncement of a tax authority in the United Kingdom, 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.

Redemption at Our Option

If so specified in the applicable Final Terms, the notes of a series will be redeemable at our option (but subject, in the case of subordinated notes, to compliance with "*—Preconditions to Redemption and Purchase of Subordinated Notes*" or, in the case of senior non-preferred notes, to compliance with "*—Preconditions to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Notes*") prior to the stated Maturity Date.

If so specified, and subject to the terms set forth in the applicable Final Terms, the notes will be subject to redemption at our option on the applicable Early Redemption Date(s) specified in the applicable Final Terms, in whole or from time to time in part in minimum increments of $200,000 for senior preferred notes and senior non-preferred notes and $250,000 for subordinated notes, or the minimum denomination specified in such Final Terms (provided that, in the case of any redemption in part, any remaining principal amount thereof shall be at least $200,000 for senior preferred notes and senior non-preferred notes and $250,000 for subordinated notes, or such minimum denomination), at the Redemption Price specified in the applicable Final Terms. Any such redemption will be subject to notice being given not more than the maximum period specified in the applicable Final Terms (or, if no maximum period is specified in the applicable Final Terms, 60 days, if the notes are being redeemed in whole, or 45 days, if the notes are being redeemed in part), nor less than the minimum period specified in the applicable Final Terms (or, if no minimum period is specified in the applicable Final Terms, 30 days), prior to the relevant date of redemption and in accordance with the provisions of the Indenture.

The notes will not be subject to any sinking fund.

Regulatory Event Redemption of Subordinated Notes

This provision "*—Regulatory Event Redemption of Subordinated Notes*" applies only to subordinated notes.

Subject to compliance with "*—Preconditions to Redemption and Purchase of Subordinated Notes*", the Issuer may, in its sole discretion, if a Regulatory Event has occurred, having given notice of not more than 30 days nor less than 15 days prior to the date of redemption to the Trustee and, in accordance with "*—Notices*", the noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem at any time (if such notes are not Floating Rate Notes or Reset Notes (other than Reset Notes which reset only once)) or on any Interest Payment Date (if such notes are Floating Rate Notes or Reset Notes (other than Reset Notes which reset only once)) all (but not some only) of the subordinated notes at their early redemption amount as provided under "*—Early Redemption Amounts*" together, if applicable, with interest accrued to (but excluding) the date fixed for redemption.

Prior to the publication of any notice of early redemption pursuant to the paragraph above, the Issuer shall deliver to the Trustee a certificate signed by any two authorized signatories of the Issuer confirming that a Regulatory Event has occurred. The Trustee shall be entitled, without liability to any person, to accept such certificate without any further inquiry as sufficient evidence of the satisfaction of the relevant conditions precedent, in which event it shall be conclusive and binding on the Trustee and the noteholders. Upon the expiry of such notice the Issuer shall be bound to redeem the subordinated notes accordingly.

Loss Absorption Disqualification Event Redemption of Senior Non-Preferred Notes

This provision "*—Loss Absorption Disqualification Event Redemption of Senior Non-Preferred Notes*" applies to all senior non-preferred notes except for any series where "*Senior Non-Preferred Notes: Loss Absorption Disqualification Event Redemption*" is expressly specified to be not applicable in the applicable Final Terms.

Subject to compliance with "*—Preconditions to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Notes*", the Issuer may, in its sole discretion, if a Loss Absorption Disqualification Event has occurred, having given notice of not more than 30 days nor less than 15 days prior to the date of redemption to the Trustee and, in accordance with "*—Notices*", the noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem at any time (if such notes are not Floating Rate Notes or Reset Notes (other than Reset Notes which reset only once)) or on any Interest Payment Date (if such notes are Floating Rate Notes or Reset Notes (other than Reset Notes which reset only once)) all (but not some only) of the senior non-preferred notes at their early redemption amount as provided under "*—Early Redemption Amounts*" together, if applicable, with interest accrued to (but excluding) the date fixed for redemption.

Prior to the publication of any notice of early redemption pursuant to the paragraph above, the Issuer shall deliver to the Trustee a certificate signed by any two authorized signatories of the Issuer confirming that a Loss Absorption Disqualification Event has occurred. The Trustee shall be entitled, without liability to any person, to accept such certificate without any further inquiry as sufficient evidence of the satisfaction of the relevant conditions precedent, in which event it shall be conclusive and binding on the Trustee and the noteholders. Upon the expiry of such notice the Issuer shall be bound to redeem the senior non-preferred notes accordingly.

Repayment at the Option of the Holders

This provision "*—Repayment at the Option of the Holders*" does not apply to subordinated notes.

If so specified in the applicable Final Terms, the notes will be repayable by the Issuer in whole or in part at the option of the holders thereof on their respective optional repayment dates ("**Optional Repayment Dates**") specified in such Final Terms, upon not more than the maximum period specified in the applicable Final Terms (or, if no maximum period is specified in the applicable Final Terms, 30 days), nor less than the minimum period specified in the applicable Final Terms (or, if no minimum period is specified in the applicable Final Terms, 15

days), notice prior to such Optional Repayment Dates. If no Optional Repayment Date is specified with respect to a note, such note will not be repayable at the option of the holder thereof prior to the stated Maturity Date. Any repayment in part will be in increments of $200,000, or the minimum denomination specified in the applicable Final Terms (provided that any remaining principal amount thereof shall be at least $200,000 or such minimum denomination). Unless otherwise specified in the applicable Final Terms, the repayment price for any note to be repaid means an amount equal to the sum of the unpaid principal amount thereof or the portion thereof plus accrued interest to the date of repayment. Exercise of the repayment option is irrevocable.

Late Payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to this subsection or upon its becoming due and repayable as provided upon the occurrence of any Event of Default under the Indenture is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided under "*—Early Redemption Amounts*" below as though the references therein to the date fixed for redemption or the date upon which such Zero Coupon Note becomes due and repayable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of the Zero Coupon Note have been paid; and

(b) the date on which the full amount of the moneys payable has been received by the Paying Agent or the Trustee and notice to that effect has been given to the holders.

Early Redemption Amounts

For the purposes of redemption for tax reasons or following (in respect of subordinated notes) a Regulatory Event or (in respect of senior non-preferred notes) a Loss Absorption Disqualification Event and, in any case, redemption upon the occurrence of any Event of Default under the Indenture, each note will be redeemed at an amount calculated as follows, together with interest, if any, to the date fixed for redemption (the amount in (a) or, as the case may be, (b) below being the "**early redemption amount**"):

(a) (in the case of notes other than Zero Coupon Notes) at 100% of the principal amount (and premium, if any, thereon); or

(b) in the case of Zero Coupon Notes, at an amount equal to the sum of:

A. the Reference Price; and

B. the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Original Issue Date of the notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such note becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made (i) in the case of a Zero Coupon Note other than a Zero Coupon Note payable in euro, on the basis of a 360 day year consisting of 12 months of 30 days each or (ii) in the case of a Zero Coupon Note payable in euro, on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed falls in a leap year, the sum of (A) the number of those days falling in a leap year divided by 366 and (B) the number of those days falling in a non-leap year divided by 365).

Selection of Notes for Partial Redemption

In the case of any partial redemption of notes, and subject to the terms specified in the applicable Final Terms, the notes to be redeemed shall be selected by the Trustee individually by lot not more than 60 days prior to the Redemption Date from the outstanding notes not previously called for redemption, provided that partial redemption of Global Notes shall be effected in accordance with DTC's procedures.

Repurchase

We may (subject, in the case of subordinated notes, to compliance with "*—Preconditions to Redemption and Purchase of Subordinated Notes*" and prevailing Regulatory Capital Requirements or, in the case of senior non-preferred notes, to compliance with "*—Preconditions to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Notes*" and prevailing Loss Absorption Regulations) at any time purchase notes at any price or prices in the open market or otherwise. Notes so purchased may be held or resold or, at our discretion, notes may be surrendered to the Trustee for cancelation.

Preconditions to Redemption and Purchase of Subordinated Notes

Any redemption or purchase of subordinated notes prior to the Maturity Date in accordance with any applicable subsection of this section "*—Redemption, Repurchase, Substitution and Variation*" is subject to:

(a) the Issuer having obtained Relevant Supervisory Consent therefor;

(b) the Issuer having demonstrated to the satisfaction of the Supervisory Authority that either: (A) the Issuer has (or before or at the same time as the relevant redemption or purchase will have) replaced the subordinated 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 or purchase, exceed its minimum requirements (including any buffer requirements) by a margin that the Supervisory Authority considers necessary at such time; and

(c) in the case of any redemption or purchase prior to the fifth anniversary of the Issue Date:

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

  (B) in the case of redemption upon the occurrence of a Regulatory Event, the Issuer having demonstrated to the satisfaction of the Supervisory Authority that the relevant change in the regulatory classification of the subordinated notes is sufficiently certain and was not reasonably foreseeable as at the Issue Date;

  (C) in the case of a repurchase, the Issuer having demonstrated to the satisfaction of the relevant Supervisory Authority that the Issuer has (or, before or at the same time as the relevant purchase, will have) replaced the subordinated notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer, and the relevant Supervisory Authority having permitted such action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or

  (D) the subordinated notes being purchased for market-making purposes in accordance with the prevailing Regulatory Capital Requirements.

Notwithstanding the foregoing, if, at the time of any redemption or purchase, the prevailing Regulatory Capital Requirements permit a repayment or purchase only after compliance with one or more additional or alternative preconditions to those set out above in this subsection, the Issuer shall comply (in addition or in the alternative, as the case may be) with such additional and/or alternative precondition(s).

Preconditions to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Notes

Any redemption or purchase prior to the Maturity Date, or any substitution or variation of senior non-preferred notes in accordance with any applicable subsection of this section "*—Redemption, Repurchase, Substitution and Variation*" is subject to:

(a) the Issuer having obtained Relevant Supervisory Consent therefor; and

(b) compliance with any other pre-conditions to, or requirements applicable to, such redemption, purchase, substitution or variation as may be required by the relevant Supervisory Authority or the Loss Absorption Regulations at such time, including, in the case of a redemption or purchase and to the extent then so required, the Issuer having demonstrated to the satisfaction of the relevant Supervisory Authority that (A) it has (or, before or at the same time as the relevant redemption or purchase, will have) replaced the senior non-preferred notes with own funds or eligible liabilities 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 or purchase, exceed its minimum requirements for own funds and eligible liabilities by a margin that the relevant Supervisory Authority considers necessary at such time; or (C) the partial or full replacement of the senior non-preferred notes with own funds instruments is necessary to ensure compliance with the own funds requirements laid down in the prevailing Regulatory Capital Requirements for continuing authorization.

Substitution and Variation in Respect of Senior Non-Preferred Notes

This provision "*Substitution and variation in respect of senior non-preferred notes*" applies to each series of senior non-preferred notes unless "*Senior Non-Preferred Notes: Substitution and Variation*" is expressly specified to be not applicable in the applicable Final Terms.

Upon the occurrence of a Loss Absorption Disqualification Event, the Issuer (in its sole discretion but subject to "*—Preconditions to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Notes*"), having given notice of not more than 30 days nor less than 15 days prior to the date of substitution or variation (as the case may be) to the Trustee and, in accordance with "*—Notices*", the noteholders (which notice shall be irrevocable and shall specify the date fixed for substitution or variation, as applicable) may, without any requirement for the consent or approval of the noteholders, either substitute all (but not some only) of the senior non-preferred notes for, or vary the terms of the senior non-preferred notes so that they remain or, as appropriate, become, Loss Absorption Compliant Notes. Upon the expiry of the notice referred to above, the Issuer shall either substitute or, as the case may be, vary the terms of the senior non-preferred notes.

In connection with any substitution or variation in accordance with this provision "*Substitution and Variation in Respect of Senior Non-Preferred Notes*", the Issuer shall comply with the rules of any stock exchange on which the relevant senior non-preferred notes are for the time being listed or admitted to trading.

Any substitution or variation in accordance with this provision is subject to the following conditions:

(A) the Issuer complying with "*—Preconditions to Redemption, Purchase, Substitution or Variation of Senior Non-Preferred Notes*" above;

(B) such substitution or variation not resulting in any event or circumstance which at or around that time gives the Issuer a redemption right in respect of the resulting notes; and

(C) prior to the publication of any notice of substitution or variation, the Issuer having delivered to the Trustee a certificate signed by two authorized signatories of the Issuer stating that the Loss Absorption Disqualification Event giving rise to the right to substitute or vary the senior non-preferred notes has occurred as at the date of the certificate and that the conditions set out (A) and (B) immediately above have been satisfied and the Trustee shall be entitled to accept such certificate as sufficient evidence thereof, and such certificate shall be conclusive and binding on the Trustee and all noteholders.

The Trustee shall, subject to the Issuer's compliance with the foregoing conditions and the provision of the certificate signed by two authorized signatories of the Issuer as referred to in the definition of 'Loss Absorption Compliant Notes' and at the expense and cost of the Issuer, use reasonable endeavors to assist the Issuer in any

substitution or variation of the relevant senior non-preferred notes in accordance with this provision, except that the Trustee shall not be obliged to assist in any such substitution or variation if either such substitution or variation itself or the terms of the proposed Loss Absorption Compliant Notes would impose, in the Trustee's sole determination, more onerous obligations upon it or require the Trustee to incur any liability for which it is not indemnified and/or secured and/or pre-funded to its sole satisfaction.

Agreement with Respect to the Exercise of UK Bail-in Power

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

(a) the effect of the exercise of the UK Bail-in Power by the Resolution Authority, that may include and result in (without limitation) any of the following, or some combination thereof:

A. the reduction of all, or a portion, of the Amounts Due;

B. the conversion of all, or a portion, of the Amounts Due on the notes into shares, deferred shares (including core capital deferred shares), other securities or other obligations of the Issuer or another person (and the issue to or conferral on the noteholder of such shares, deferred shares (including core capital deferred shares), securities or obligations), including by means of an amendment, modification or variation of the terms of the notes;

C. the cancellation of the notes; and/or

D. the amendment or alteration of the maturity of the notes or amendment of the amount of interest payable on the notes, and/or the date on which the interest becomes payable, including by suspending payment for a temporary period; and

(b) the variation of the terms of the notes and the Indenture, if necessary, to give effect to the exercise of the UK Bail-in Power by the Resolution Authority.

No repayment or payment of Amounts Due on the notes, will become due and payable or be paid after the exercise of any UK Bail-in Power by the Resolution Authority if and to the extent such amounts have been reduced, converted, cancelled, suspended (for so long as such suspension or moratorium is outstanding), amended or altered as a result of such exercise.

Neither a reduction or cancellation, in part or in full, of the Amounts Due or the conversion thereof into another security or obligation of the Issuer or another person, as a result of the exercise of the UK Bail-in Power by the Resolution Authority with respect to the Issuer, nor the exercise of the UK Bail-in Power by the Resolution Authority with respect to the notes, will be an Event of Default or otherwise constitute a breach of or default under the terms of the notes or the Indenture nor a default or event of default for any other purpose.

Upon the exercise of the UK Bail-in Power by the Resolution Authority with respect to any notes, the Issuer shall promptly give notice to the noteholders in accordance with "*—Notices*" and to the Trustee and the Paying Agents. Any delay or failure by the Issuer in delivering any notice referred to in this section "*—Agreement with Respect to the Exercise of UK Bail-in Power*" shall not affect the validity or enforceability of the UK Bail-in Power.

For the purposes of this section "—Agreement with Respect to the Exercise of UK Bail-in Power":

(a) "**Amounts Due**" means the principal amount of, any premium on, and any accrued but unpaid interest on, the notes. References to such amounts will include (but will not be limited to)

amounts that have become due and payable, but which have not been paid, prior to the exercise of the UK Bail-in Power by the Resolution Authority;

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

(c) "**UK Bail-in Power**" means any write-down, conversion, transfer, modification, moratorium and/or suspension power (including, without limitation, any write-down or conversion powers which may be exercised by the Resolution Authority independently of resolution proceedings) existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, building societies, financial holding companies, mixed financial holding companies, credit institutions and/or investment firms (and/or any group company of any of the foregoing) incorporated in the United Kingdom in effect and applicable in the United Kingdom to the Issuer or other members of its group, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a resolution regime in the United Kingdom under the Banking Act 2009 and/or the Loss Absorption Regulations, in each case as amended from time to time.

By its acquisition of the notes, each holder of the notes waives any and all claims against the Trustee for, agrees not to initiate a suit against the Trustee in respect of, and agrees that the Trustee will not be liable for, any action that the Trustee takes, or abstains from taking, in either case in accordance with the exercise of the UK Bail-in Power by the relevant Resolution Authority with respect to the notes.

Upon the exercise of the UK Bail-in Power by the Resolution Authority with respect to the notes, we will provide a written notice to DTC as soon as practicable regarding such exercise of the UK Bail-in Power for purposes of notifying holders of the notes of such occurrence. We will also deliver a copy of such notice to the Trustee for information purposes.

Our obligations to indemnify the Trustee shall survive the exercise of the UK Bail-in Power by the Resolution Authority with respect to any notes.

By its acquisition of the notes, each noteholder acknowledges and agrees that, upon the exercise of any UK Bail-in Power by the relevant Resolution Authority with respect to such notes, (a) the Trustee shall not be required to take any further directions from noteholders of the affected notes and (b) the Indenture shall impose no duties upon the Trustee whatsoever with respect to the exercise of any UK Bail-in Power by the relevant Resolution Authority. Notwithstanding the foregoing, if, following the completion of the exercise of the UK Bail-in Power by the Resolution Authority, any notes remain outstanding (for example, if the exercise of the UK Bail-in Power results in only a partial write-down of the principal of the notes), then the Trustee's duties under the Indenture shall remain applicable with respect to any notes following such completion to the extent that the issuer and the Trustee shall agree pursuant to another supplemental indenture or an amendment to the Indenture; provided, however, that notwithstanding the exercise of the UK Bail-in Power by the Resolution Authority, there shall at all times be a Trustee for the notes in accordance with the Indenture, and the resignation and/or removal of the Trustee and the appointment of a successor trustee will continue to be governed by the Indenture, including to the extent no additional supplemental indenture or amendment is agreed upon in the event the notes remain outstanding following the completion of the exercise of the UK Bail-in Power.

By its acquisition of the notes, each noteholder (a) acknowledges and agrees to be bound by and consents to the exercise of any UK Bail-in Power as it may be imposed without any prior notice by the Resolution Authority of its decision to exercise such power with respect to such notes and (b) shall be deemed to have authorized, directed and requested DTC and any direct participant in DTC or other intermediary through which it holds such notes to take any and all necessary action, if required, to implement the exercise of any UK Bail-in Power with respect to such notes as it may be imposed, without any further action or direction on the part of such holder or the Trustee.

For a discussion of certain risk factors relating to the UK bail-in power, see "*Risk Factors—Risks Related to the Notes—The notes rank junior to most of our liabilities.*"

Negative Pledge

The negative pledge applies to the senior preferred notes only.

So long as any of the senior preferred notes remain outstanding, we will not, and will not suffer or permit any of our subsidiaries to, create or have outstanding any mortgage, lien (other than a lien arising by operation of law), pledge or other charge or security interest upon the whole or any part of our or its business or assets, present or future (for the purposes of this subsection, a "**Security Interest**"), to secure any of our Loan Stock or the Loan Stock of any of our subsidiaries or any of our or our subsidiaries' obligations under any guarantee of or indemnity in respect of the Loan Stock of any other person, without at the same time or prior thereto securing the senior preferred notes equally and ratably therewith to the satisfaction of the Trustee or providing such other security for the senior preferred notes which the Trustee in its absolute discretion shall deem to be not materially less beneficial to the holders of senior preferred notes or which shall be approved by a majority of the holders of senior preferred notes then outstanding provided that we or any of our subsidiaries may create or have outstanding Security Interests with respect to Loan Stock (without the obligation to secure the senior preferred notes as aforesaid) if at the date of the creation thereof we or any of our subsidiaries have and thereafter maintain free and clear of Security Interests assets the fair market value of which (calculated on a consolidated basis) is at least equal to the aggregate principal amount of all Loan Stock which is not secured by any such Security Interest. As used in this subsection, "**Loan Stock**" means indebtedness for the time being outstanding which is in the form of or represented or evidenced by bonds, notes, debentures, loan stock or other similar securities.

Events of Default—Senior Preferred Notes

The following shall constitute "**Events of Default**" with respect to each series of senior preferred notes and references to "notes" shall be construed accordingly:

(1) we fail to pay any principal within three days of the due date or interest within seven days of the due date in respect of the notes of such series; or

(2) we default in performance or observance of or compliance with any of our other obligations set out in the notes of such series or the Indenture which default is incapable of remedy or which, if capable of remedy, is not, in the opinion of the Trustee, remedied within 30 days (or such longer period as the Trustee may permit) after notice requiring remedy of such default shall have been given to us by the Trustee; or

(3) (a) any other present or future indebtedness in respect of moneys borrowed or raised in an amount of £40,000,000 or more (or its equivalent in any other currency) of us or any Material Subsidiary becomes due and payable prior to its stated maturity pursuant to a default; or

(b) any such indebtedness is not paid when due or (as the case may be) within any applicable grace period therefor; or

(c) we fail or any Material Subsidiary fails to pay when due or (as the case may be) within any applicable grace period therefor any amount payable by us or it under any present or future guarantee in an amount of £40,000,000 or more (or its equivalent in any other currency) (other than any guarantee given in the ordinary course of our or its business) for any indebtedness in respect of moneys borrowed or raised; or

(d) any mortgage, charge, pledge, lien or other encumbrance present or future securing an amount of £40,000,000 or more (or its equivalent in any other currency) and created or assumed by us or any Material Subsidiary becomes enforceable and the holder thereof takes any steps to enforce the same; or

(4) a distress or execution or other similar legal process in respect of a claim for £20,000,000 or more is levied or enforced or sued out upon or against any part of our property, assets or revenues or the property, assets or revenues of any Material Subsidiary and is not discharged or stayed within 30 days of having been so levied, enforced or sued out; or

(5) we become, or any Material Subsidiary becomes, insolvent or unable to pay our or its debts as they mature; or we apply, or any Material Subsidiary applies, for or consents to or suffers the appointment of a liquidator or receiver or administrator or similar officer of ourselves or itself or the whole or any substantial part of our or its undertaking, property, assets or revenues; or we take, or any Material Subsidiary takes, any proceeding under any law for a readjustment or deferment of our or its obligations or any part thereof, or we make or enter, or any Material Subsidiary makes or enters, into a general assignment or an arrangement or composition with or for the benefit of our or its creditors, except in any case in connection with a substitution pursuant to the Consolidation, Merger and Sale or Lease of Assets provisions of the Indenture (see the subsection entitled "*—Consolidation, Merger and Sale or Lease of Assets*") or for the purpose of a reconstruction, union, transfer, merger or amalgamation effected with the prior written consent of the Trustee, or in the case of a Material Subsidiary in connection with the transfer of all or the major part of its business, undertaking and assets; or

(6) an order is made or an effective resolution is passed to wind up or dissolve us or any Material Subsidiary or our authorization or registration is, or is proposed to be canceled, suspended or revoked or anything analogous or similar to any of the foregoing occurs (except in any case for the purposes of a substitution pursuant to the Consolidation, Merger and Sale or Lease of Assets provisions of the Indenture (see the subsection entitled "*—Consolidation, Merger and Sale or Lease of Assets*"), a reconstruction, union, transfer, merger or amalgamation effected with the consent of the Trustee or in the case of a voluntary solvent winding up of a wholly-owned Material Subsidiary).

"**Material Subsidiary**" means a Subsidiary of ours who's total assets (attributable to us) represent 10% or more of our and our subsidiaries' consolidated total assets (all as more particularly described in the Indenture).

If an Event of Default (other than an Event of Default specified in sections (5) or (6) above) with respect to notes of any series of senior preferred notes at the time outstanding occurs and is continuing, then in every such case the Trustee or the holders of not less than 25% in principal amount of the outstanding notes of such series may declare all of the notes of that series to be due and payable immediately at their early redemption amount together with accrued interest by a notice in writing to us. If an Event of Default specified in section (5) or (6) above with respect to notes of any series of senior preferred notes at the time outstanding occurs, then all of the notes of that series shall, without any act by the Trustee or the holders, become immediately due and payable without presentment, demand, protest or other notice of any kind at their early redemption amount together with accrued interest.

At any time after such an acceleration or declaration of acceleration with respect to any series of senior preferred notes has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee, the holders of a majority in principal amount of the outstanding notes of that series, by written notice to us and the Trustee, may rescind and annul such acceleration or declaration of acceleration and its consequences if:

(a) we have paid or deposited with the Trustee a sum sufficient to pay:

A. all overdue interest, if any, on all notes of that series;

B. the principal of and premium, if any, on any notes of that series which have become due otherwise than by such acceleration or declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such notes;

C. to the extent that payment of such interest is lawful, interest upon any overdue interest at the rate or rates prescribed therefor in such notes; and

D. all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(b) all Events of Default with respect to notes of that series, other than the non-payment of the principal of and accrued interest on notes of that series which have become due solely by such acceleration, have been cured or waived.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

If any series of Zero Coupon Notes shall have been accelerated and become due and payable, then, from and after such acceleration, unless such acceleration has been rescinded and annulled, the principal amount of such Zero Coupon Notes shall be deemed to be such portion of the principal thereof as shall be due and payable as a result of such acceleration, and payment of such portion of the principal thereof as shall be due and payable as a result of such acceleration, together with interest, if any, thereon and all other amounts owing thereunder, shall constitute payment in full of such Zero Coupon Notes.

Events of Default—Subordinated Notes and Senior Non-Preferred Notes

The following shall apply with respect to:

(i) each series of subordinated notes; and

(ii) each series of senior non-preferred notes

and references to "notes" shall be construed accordingly:

(a) *Non-payment when due*: If default is made for a period of seven days or more in the payment of any principal due on the notes or any of them or for a period of 14 days or more in the payment of any interest due on the notes or any of them, the Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter of the nominal amount of notes then outstanding shall (subject to being indemnified and/or secured and/or prefunded to its satisfaction), institute proceedings for the winding up of the Issuer in England (but not elsewhere) to enforce the obligations of the Issuer in respect of the notes and the Indenture in so far as it relates to the notes, but may take no other action in respect of such default (except as provided in paragraph (b) below).

(b) *Winding up or dissolution*: In the event of a winding up or dissolution of the Issuer (subject as otherwise provided in an Excluded Dissolution), whether or not instituted by the Trustee pursuant to paragraph (a) above, the Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter of the nominal amount of notes then outstanding shall (subject to being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer (or the relevant official presiding over such winding up or dissolution) that the notes are, and they shall accordingly immediately become, due and repayable at their early redemption amount together with accrued interest as provided in the Indenture, and shall claim and/or prove in such winding up or dissolution in respect of the notes (such claim ranking as provided in "*—Status and ranking of senior non-preferred notes*" or "*—Status and subordination of subordinated notes*", as applicable).

(c) *Enforcement*: Without prejudice to paragraphs (a) and (b) above, 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 Indenture or the notes (other than any payment obligation of the Issuer under or arising from the notes or the

Indenture, including, without limitation, payment of any principal or interest in respect of the notes, including any damages awarded for breach of any obligations) and 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 Indenture, nor will the Trustee accept the same, otherwise than during or after a winding up or dissolution of the Issuer.

(d) *Rights of holders*: No noteholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, (i) fails to do so, or (ii) is unable for any reason to do so, in which case any such holder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise. No such holder shall be entitled to institute proceedings for the winding up of the Issuer, or to prove in any winding up or dissolution of the Issuer, except that if the Trustee, having become bound to proceed against the Issuer as aforesaid, fails to do so or is unable for any reason to do so, or being able to prove in any winding up or dissolution of the Issuer, fails to do so, then any such holder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise) itself institute proceedings for the winding up in England (but not elsewhere) of the Issuer and/or prove in any winding up or dissolution of the Issuer to the same extent (but not further or otherwise) that the Trustee would have been entitled so to do in respect of such notes held by him.

(e) *Extent of remedy*: No remedy against the Issuer, other than the institution of proceedings for the winding up in England of the Issuer and/or the proving or claiming in any winding up or dissolution of the Issuer, shall be available to the Trustee or the noteholders for the recovery of amounts owing in respect of such notes or under the Indenture in so far as it relates to the notes.

(f) *Rights of the Trustee*: The Trustee may at its discretion institute such proceedings as are contemplated by this subsection against the Issuer to enforce the obligations of the Issuer under the Indenture in so far as it relates to the notes, but it shall not be bound to institute any such proceedings unless (a) it shall have been so requested in writing by noteholders holding at least one-quarter in nominal amount of the notes then outstanding and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

Collection of Indebtedness and Suits for Enforcement by the Trustee

If any Event of Default has occurred and is continuing with regard to senior preferred notes of any series, the Trustee may, at its discretion and without further notice, take such proceedings against us as it may think fit to enforce payment on such notes. However, the Trustee will not be bound to take any action with respect to such series of senior preferred notes unless:

(1) it shall have been so requested in writing by holders of at least 25% of the nominal amount of the Outstanding Notes of such series of senior preferred notes; and

(2) it shall have been indemnified to its satisfaction.

If any Event of Default (which, for these purposes, shall mean that default is made for a period of seven days or more in the payment of any principal due on the notes or any of them or for a period of 14 days or more in the payment of any interest due on the notes or any of them) has occurred and is continuing with regard to subordinated notes or Senior Non-Preferred Notes of any series, the Trustee may at its discretion institute proceedings for our winding up in England (but not elsewhere) to enforce our obligations in respect of such notes and the Indenture insofar as it relates to such notes. However, we may not make any payment of principal in respect of subordinated notes or Senior Non-Preferred Notes, nor will the Trustee accept any such payment of principal from us, other than during or after our winding up or dissolution, unless a Relevant Supervisory Consent has been granted. For the purposes of the foregoing, a payment shall be deemed to be due even if we are not solvent.

Judgments

Under current New York law, a state court in the State of New York rendering a judgment in respect of a note denominated in other than U.S. dollars would be required to render such judgment in the Specified Currency, and such judgment would be converted into U.S. dollars at the Market Exchange Rate prevailing on the date of entry of such judgment. Accordingly, the holder of such note denominated in other than U.S. dollars would be subject to exchange rate fluctuations between the date of entry of a judgment in a currency other than U.S. dollars and the time the amount of such judgment is paid to such holder in U.S. dollars and converted by such holder into the Specified Currency. It is not certain, however, whether a non-New York state court would follow the same rules and procedures with respect to conversions of judgments in currency other than U.S. dollars.

We will indemnify the holder of any note against any loss incurred by such holder as a result of any judgment or order being given or made for any amount due under such note and such judgment or order requiring payment in a currency (the "**Judgment Currency**") other than the Specified Currency, and as a result of any variation between (i) the rate of exchange at which the Specified Currency amount is converted into the Judgment Currency for the purpose of such judgment or order, and (ii) the rate of exchange at which the holder of such note, on the date of payment of such judgment or order, is able to purchase the Specified Currency with the amount of the Judgment Currency actually received by such holder, as the case may be.

Consolidation, Merger and Sale or Lease of Assets

So long as any note of a series remains outstanding, we will not consolidate or amalgamate with or merge into any other Person or convey, transfer or lease our properties and assets substantially as an entirety to any Person unless:

(1) the Person formed by such consolidation or amalgamation or into which we are merged or the Person which acquired by conveyance or transfer, or which leases, our properties and assets substantially as an entirety shall be a Person organized and validly existing under the laws of the United Kingdom which shall expressly assume, by an amendment to the Indenture that is executed and delivered to the Trustee and is in form reasonably satisfactory to the Trustee, the due and punctual payment of the principal of (and premium, if any, on) and interest, if any, on all of the notes of such a series and the performance of every covenant of the Indenture (other than a covenant included in the Indenture solely for the benefit of notes of another series) and of such notes to be performed, and such assumption shall provide that such Person shall pay to the holder of any such notes such additional amounts as may be necessary in order that every net payment of the principal of (and premium, if any, on) and interest, if any, on such notes will not be less than the amounts provided for in such notes to be then due and payable and such obligations shall extend to any deduction or withholding for or on account of any present or future tax, assessment or governmental charge imposed upon such payment (it being understood that, except as aforesaid, no such Person shall be obligated to make any indemnification or payment in respect of any tax consequences to any holder as a result of such assumption of rights and obligations if such Person would not be obligated to pay an additional amount pursuant to the Indenture if such corporation or Person were us);

(2) immediately after giving effect to such transaction, no Event of Default with respect to notes of such series, and no event which, after notice or lapse of time, or both, would become an Event of Default with respect to such notes, shall have occurred and be continuing; and

(3) we have delivered to the Trustee a certificate signed by two duly authorized officers and an opinion of counsel each stating that such consolidation, amalgamation, merger, conveyance, transfer or lease and such amendment to the Indenture evidencing the assumption by such Person comply with the Indenture and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with.

Upon any such consolidation, amalgamation or merger, or any such conveyance, transfer or lease, the successor Person will succeed to, and be substituted for, and may exercise every right and power of ours, under the Indenture with the same effect as if such successor Person has been named as the issuer thereunder, and thereafter, except in the case of a lease, the predecessor corporation shall be relieved of all obligations and covenants under the Indenture and such notes.

Satisfaction and Discharge

The satisfaction and discharge provisions described below do not apply to subordinated notes or senior non-preferred notes unless the Issuer has obtained Relevant Supervisory Consent therefor.

The Indenture provides that we will be discharged from our obligations under the notes of a series (with certain exceptions) at any time prior to the stated Maturity Date, or redemption of such notes when (i) we have irrevocably deposited with or to the order of the Trustee, in trust, (a) sufficient funds in the currency, currencies, currency unit or units in which such notes are payable (without consideration of any reinvestment thereof) to pay the principal of (and premium, if any, on) and interest, if any, on such notes to the stated Maturity Date (or Redemption Date), or (b) such amount of U.S. Government Obligations (as defined below) as will, together with the predetermined and certain income to accrue thereon (without consideration of any reinvestment thereof), be sufficient to pay when due the principal of (and premium, if any, on) and interest, if any, to the stated Maturity Date (or Redemption Date), on such notes, or, (c) such amount equal to the amount referred to in clause (a) or (b) in any combination of currency or currency unit of U.S. Government Obligations; (ii) we have paid all other sums payable with respect to such notes; (iii) we have delivered to the Trustee an opinion of counsel to the effect that (a) we have received from, or there has been published by, the U.S. Internal Revenue Service a ruling, or (b) since the date of the Indenture there has been a change in applicable U.S. federal income tax law, in either case to the effect that, and based upon which such opinion of counsel shall confirm that, the holders of such notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such discharge and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same time as would have been the case if such discharge had not occurred; and (iv) certain other conditions are met. Upon such discharge, the holders of the notes of such a series shall no longer be entitled to the benefits of the terms and conditions of the Indenture and notes, except for certain provisions including registration of transfer and exchange of such notes and replacement of mutilated, destroyed, lost or stolen notes of such series, and shall look for payment only to such deposited funds or obligations.

"**U.S. Government Obligations**" means non-callable (i) direct obligations (or certificates representing an ownership interest in such obligations) of the United States for which its full faith and credit are pledged or (ii) obligations of a Person controlled or supervised by, and acting as an agency or instrumentality of, the United States, the timely payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States.

Supplemental Indentures

The Indenture contains provisions permitting us and the Trustee (i) without the consent of the holders of any notes issued under the Indenture, to execute supplemental indentures for certain enumerated purposes, such as to cure any ambiguity or inconsistency or to make any change that does not have a materially adverse effect on the rights of any holder of such notes, and (ii) with the consent of the holders of not less than a majority in aggregate principal amount of the Outstanding Notes of each series of notes issued under the Indenture and affected thereby, to execute supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of modifying in any manner the rights of holders of any such note under the Indenture; provided, that no such supplemental indenture may, without the consent of the holder of each such Outstanding Note affected thereby (a) change the stated Maturity Date or the principal of or interest on any such note, or reduce the principal amount of any such note or the rate of interest thereon, if any, or any premium or principal payable upon redemption thereof, or change any obligation of ours to pay additional amounts thereon, or change any Place of Payment where, or change the currency in which, any such note or the interest, if any, thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated Maturity Date, if any, thereof or the date any such payment is otherwise due

and payable (or, in the case of redemption, on or after the redemption date); or (b) reduce the percentage in aggregate principal amount of such Outstanding Notes of any particular series, the consent of whose holders is required for any such supplemental indenture, or the consent of whose holders is required for any waiver (of compliance with certain provisions of the Indenture or certain defaults thereunder and their consequences) provided for in the Indenture; or (c) change any obligation we have to maintain an office or agency in the places and for the purposes specified in the Indenture; or (d) modify certain of the provisions of the Indenture pertaining to the waiver by holders of such notes of past defaults, supplemental indentures with the consent of holders of such notes and the waiver by holders of such notes of certain covenants, except to increase any specified percentage in aggregate principal amount required for any actions by holders of notes or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each such note affected thereby; or (e) in the case of any subordinated notes or any senior non-preferred notes, change in any manner adverse to the interests of the holders of such Outstanding Notes the subordination or ranking provisions of such notes.

The foregoing paragraph is without prejudice to our rights and the rights of the Trustee, without any requirement for the consent or approval of any holders of any notes, to make any other amendments to the Indenture and/or the terms of any notes as may be expressly provided for in the Indenture and under this section "*Terms and Conditions of the Notes*" (including, without limitation, as provided under "*-Benchmark discontinuation*", "*-Substitution and Variation in Respect of Senior Non-Preferred Notes*" and "*Agreement with Respect to the Exercise of UK Bail-in Power*").

In addition, variations in the terms and conditions of the subordinated notes or senior non-preferred notes of any series, which may include modifications relating to the status, subordination, ranking, redemption, repurchase or Events of Default with respect to such notes, may require Relevant Supervisory Consent.

Waivers

The holders of not less than a majority in aggregate principal amount of the Outstanding Notes of a series of notes affected thereby, may on behalf of the holders of all notes of such series waive compliance by us with certain restrictive provisions of the Indenture as pertain to the corporate existence of us, the maintenance of certain agencies by us or, solely with respect to senior preferred notes, as pertain to the negative pledge covenant as described under the subsection entitled "*—Negative Pledge*."

The holders of a majority in aggregate principal amount of the Outstanding Notes of a series of notes may waive on behalf of the holders of all notes of such series, any past default and its consequences under the Indenture, except a default in the payment of the principal of (or premium, if any, on) or interest, if any, on any such note of that series or a default in respect of a covenant or a provision which under the Indenture cannot be modified or amended without the consent of the holder of each Outstanding Note of such series.

In addition to our and the Trustee's rights to modify and amend the Indenture as described above, modifications of and amendments to the terms of the Indenture or the notes may be made by us and the Trustee, without the further consent of the noteholders, to the extent necessary to give effect to the exercise by the relevant UK resolution authority of the UK bail-in power.

Notices

Notices to holders of notes will be given by mail to addresses of such holders as they appear in the notes' register.

Governing Law

The Indenture and the notes shall be governed by and construed in accordance with the laws of the State of New York; except that Section 11.1 of the Indenture (which contains the subordination provisions in respect of the subordinated notes) and Section 12.1 of the Indenture (which explains the priority of the senior non-preferred notes under the Insolvency Act and any other Ranking Legislation) and the corresponding subordination and

ranking provisions, respectively, of each series of such notes pursuant to Section 3.1 of the Indenture and in the terms of such notes will be governed by and construed in accordance with the laws of England, with the intention that such provisions be given full effect in any insolvency proceeding relating to us in England.

Consent to Service

We have designated and appointed CT Corporation System at 111 Eighth Avenue, in the Borough of Manhattan, New York City, New York 10011 as our authorized agent upon which process may be served in any suit or proceeding arising out of or relating to the notes or the Indenture which may be instituted in any State or Federal court located in the Borough of Manhattan, City of New York, State of New York, and have submitted (for the purposes of any such suit or proceeding) to the jurisdiction of any such court in which any such suit or proceeding is so instituted. We have agreed, to the fullest extent that we lawfully may do so, that final judgment in any such suit, action or proceeding brought in such a court shall be conclusive and binding upon us and may be enforced in the courts of England (or any other courts to the jurisdiction of which it is subject).

Notwithstanding the foregoing, any actions arising out of or relating to the notes or the Indenture may be instituted by us, the Trustee or the holder of any note in any competent court in England or such other competent jurisdiction, as the case may be.

Concerning the Trustee

The Indenture provides that, except during the continuance of an Event of Default for a series of notes, the Trustee will have no obligations other than the performance of such duties and only such duties as are specifically set forth in the Indenture and no implied covenants or obligations shall be read into the Indenture against the Trustee. If an event of default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Prescription

Claims for payment of principal in respect of the notes shall become void upon the expiry of ten years, and claims for payment of interest (if any) in respect of the notes shall become void upon the expiry of five years, in each case from the Relevant Date therefor, subject to the terms and conditions described under the subsection entitled "*—Payment of Principal, Premium, if any, and Interest, if any.*"

DESCRIPTION OF THE GLOBAL NOTES

Unless otherwise specified in the Final Terms for a particular series of notes, DTC will act as securities depository for the notes. The following discussion relates solely to DTC and notes for which it is the securities depository.

Global Notes

So long as DTC or its nominee is the holder of the Global Notes, any owner of a beneficial interest in the notes of a series must rely upon the procedures of DTC and institutions having accounts with DTC to exercise or be entitled to any rights of a holder of such Global Notes. See the subsection entitled "*—Book-Entry System*" for a further description of DTC's procedures.

Book-Entry System

The Global Notes will be issued as fully-registered securities registered in the name of Cede (DTC's partnership nominee), unless otherwise specified. No Global Note may be transferred except by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or any successor thereof.

We have been advised by DTC that upon the deposit of a Global Note with DTC, DTC will immediately credit, on its book-entry registration and transfer system, the respective principal amounts of such beneficial interests in that Global Note to the accounts of the DTC Participants. The accounts to be credited shall be designated by the soliciting Placement Agent or, to the extent that the notes are offered and sold directly, by us.

We understand that DTC is a limited-purpose trust company organized under the laws of the State of New York, a "**Banking Organization**" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants ("**Participants**") deposit with DTC. DTC also facilitates the clearance and settlement among Participants of transactions in such securities through electronic book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants ("**Direct Participants**") include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to DTC's system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Ownership of beneficial interests in a Global Note in respect of a series of notes will be limited to DTC Participants, including Clearstream and Euroclear, or persons who hold interests through DTC Participants. In addition, ownership of beneficial interests will be evidenced only by, and the transfer of that ownership interest will be effected only through, records maintained by DTC or its nominee and DTC Participants until such time, if any, as Certificated Notes are issued, as set forth above under the subsection entitled "*Terms and Conditions of the Notes—Form, Transfer, Exchange and Denomination*." The laws of some states require that certain purchasers of notes take physical delivery of such notes in certificated form. Such laws may impair the ability to transfer beneficial interests in a Global Note.

Interests held through Clearstream and Euroclear will be recorded on DTC's books as being held by the U.S. depositary for each of Clearstream and Euroclear, which U.S. depositaries will in turn hold interests on behalf of their participants' customers' securities accounts.

To facilitate subsequent transfers, all Global Notes deposited with DTC are registered in the name of DTC's partnership nominee, Cede. DTC has no knowledge of the actual owners of beneficial interests in the Global Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such beneficial

interests in Global Notes are credited, which may or may not be the beneficial owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede and any subsequent nominee of DTC. If less than all of the notes within a series are being redeemed, DTC's current practice is to determine *pro rata* or by lot the amount of the beneficial interest of each Direct Participant in such issue to be redeemed.

Principal and interest payments on the Global Notes will be made to DTC as the registered holder of the Global Notes. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to beneficial owners will be governed by standing instructions and customary practices, as in the case of securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is our responsibility, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of Direct Participants and Indirect Participants.

A beneficial owner shall give notice to elect to have its beneficial interests in the Global Notes purchased or tendered, through its Participant, to the Trustee for a series of notes, and shall effect delivery of such beneficial interests in the Global Notes by causing the Direct Participant to transfer the Participant's beneficial interest in the Global Notes, on DTC's records, to the Trustee.

DTC may discontinue providing its services as securities depositary with respect to the Global Notes at any time by giving reasonable notice to us and the Placement Agents. Under such circumstances, in the event that a successor securities depositary is not obtained, certificated notes in registered form will be printed and delivered in exchange for beneficial interests in the Global Notes as described under the subsection entitled "*Terms and Conditions of the Notes—Form, Transfer, Exchange and Denomination*."

We may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depositary). In that event, certificated notes in registered form will be printed and delivered in exchange for beneficial interests in the Global Notes as described under the subsection entitled "*Terms and Conditions of the Notes—Form, Transfer, Exchange and Denomination*."

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy thereof.

In no event will definitive notes in bearer form representing any series of notes be issued.

None of us, any Trustee, any paying agent, any registrar for the notes or any Placement Agent will have any responsibility or liability for any aspect of DTC's records or any DTC Participant's records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any of DTC's records or any DTC Participant's records relating to such beneficial ownership interests.

The Indenture and the notes require that payments in respect of the notes be made in immediately available funds. Interests in the notes are expected to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in the notes will be required to be settled in immediately available funds. We do not know the effect, if any, of such settlement arrangements on trading activity in the notes or interests in the notes.

Issuance of Certificated Notes

If (i) DTC notifies us and the Trustee that it is unwilling or unable to continue as holder of the Global Notes or if at any time it ceases to be a clearing agency registered under the Exchange Act and, in either case, a successor holder is not appointed by us within 90 days of such notification or of our becoming aware of such ineligibility, (ii) an Event of Default occurs with respect to one or more series of notes, or (iii) we determine in our sole discretion (subject to DTC's procedures) that certificated notes of such series will be issued in registered form, then in any such case, upon the written request of the holder of the Global Note, the Trustee will issue certificated registered notes in the names and in the amounts as specified by the holder of the Global Note. The request for certificated notes may be made by the holder in the circumstances and subject to the conditions described under the subsection entitled "*Terms and Conditions of the Notes—Form, Transfer, Exchange and Denomination*."

The exchange of interests in the Global Note for certificated notes of a particular series shall be made free of any fees of the Trustee to the holder, provided, however, that such person receiving notes in certificated form will be obligated to pay or otherwise bear the cost of any tax or other governmental charge as required by the Indenture and any cost of insurance, postage, transportation and the like.

Repayment

If a note becomes repayable at the option of the holder on a date or dates specified prior to its maturity date, if any, and the Trustee is so notified, the Trustee will promptly notify the holder of the Global Note that such note has become repayable. In order for the repayment option on any note to be exercised, the owners of beneficial interests in the Global Note must instruct the broker or other DTC Participant through which it holds an interest in the Global Note to notify the Trustee of its desire to exercise that right to repayment. Different firms have different cut-off times for accepting instructions from their customers and, accordingly, each beneficial owner should consult the broker or other DTC Participant through which it holds its beneficial interest in a Global Note in order to ascertain the cut-off time by which such an instruction must be given in order for timely notice to be delivered to the depositary.

Record Date

Unless we otherwise instruct the Trustee in writing, the record date for the determination of the holder of Global Notes entitled to receive payment in respect of a Global Note will be the date which is 15 calendar days prior to the applicable payment date on such Global Note in respect of such Global Note, provided that interest payable at Maturity will be payable to the person to whom principal shall be payable. If such 15th day is not a Business Day, the record date for determination will be the next succeeding Business Day. Whenever we or the Trustee deem it appropriate to fix a record date for the determination of the holder of Global Notes who should be entitled to receive payment or take any action in respect of Global Notes, the Trustee, with our consent, will set such record date at least 15 days prior to the date on which such payment is to be made or such action is to be taken.

Reports

The Trustee will send promptly to the applicable holders of the Global Notes any notices, reports and other communications from us that are received by the custodian as holder of the Global Notes and that we make generally available to holders of the notes.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each tranche of notes issued under the medium-term note program described in this Base Prospectus.

[**MiFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/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 Directive 2014/65/EU (as amended, "**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 manufacturer['s/s'] 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 manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.][5]

UK MiFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/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 only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and 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 ("**UK MiFIR**"); and (ii) all channels for distribution of the notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

[Prohibition of sales to EEA retail investors – The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or [more/both) of: (i) a retail client as defined in point (11) of Article 4(1) of [Directive 2014/65/EU (as amended, "**MiFID II**")]/MiFID II]; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II[./; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129]. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**EU PRIIPs Regulation**") for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.]

[**Prohibition of sales to UK retail investors** – The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or [more/both]) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA[./; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA]. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes

[5] This legend to be included only where it accurately reflects the determination of the manufacturer(s) for the relevant series of notes.

or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

[**Singapore Securities and Futures Act Product Classification –** In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) 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), the classification of the notes as [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)]/[ ].

[Date]

Nationwide Building Society

Legal Entity Identifier (LEI): 549300XFX12G42QIKN82

[Title of relevant Series of notes (specifying type of notes)]
issued pursuant to its $25,000,000,000 Senior and Subordinated Medium-Term Note Program

[[The notes will only be admitted to trading on a specific segment of the London Stock Exchange's main market to which only qualified investors (as defined in the UK Prospectus Regulation)] can have access and shall not be offered or sold to non-qualified investors.]]

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Base Prospectus dated [date] [and the supplemental Prospectus dated [date]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of Regulation (EU) (2017/1129) as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"). This document constitutes the Final Terms of the notes described herein for the purposes of the UK Prospectus Regulation and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the website of the London Stock Exchange through a regulatory information service (http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).]

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Base Prospectus dated [*original date*] and incorporated by reference into the Base Prospectus dated [date]. This document constitutes the Final Terms of the notes described herein for the purposes of Regulation (EU) (2017/1129) as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**") and must be read in conjunction with the Base Prospectus, dated [date] [and the supplemental Prospectus dated [date]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Regulation, including the Terms and Conditions incorporated by reference in the Base Prospectus, in order to obtain all the relevant information. The Base Prospectus has been published on the website of the London Stock Exchange through a regulatory information service (http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).]

TYPE OF NOTE

1.	Status of the notes:		[Senior Preferred / Senior Non-Preferred / Subordinated]
2.	Interest Basis:		[Fixed Rate/Reset/Floating Rate/Zero Coupon/Combination]
3.	Change of Interest Rate Basis:		[Fixed/Floating Rate/Floating/Fixed Rate][Not Applicable]

DESCRIPTION OF THE NOTES

4.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ]
5.	(a)	Nominal Amount of notes to be issued:	[ ]
	(b)	Aggregate nominal amount of Series (if more than one issue for the Series):	[ ]
	(c)	Specified Currency:	[ ]
	(d)	Currency Determination Agent:	[ ] [Not Applicable]
	(e)	Specified Denomination(s):	[ ] [and integral multiples of [ ] in excess thereof]
6.	Issue Price:		[ ]
7.	Issue Date:		[ ]
8.	Original Issue Date:		[ ]
9.	Interest Commencement Date:		[ ] [Issue Date] [Not Applicable]
10.	Automatic/optional conversion from one Interest Basis to another:		[ ] [Not Applicable]
11.	Additional Business Center(s):		[ ] [Not Applicable]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

12.	Fixed Rate Note Provisions:		[Applicable/Not Applicable]
	(a)	Fixed Rate(s) of Interest:	[ ]% per annum payable in arrear on each Fixed Interest Date
	(b)	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date
	(c)	Day Count Fraction:	Actual/Actual (ICMA)] [30/360]
	(d)	Business Day Convention:	[Following Business Day/Modified Following Business Day/Preceding Business Day]
		(i) Adjusted:	[Applicable/Not Applicable]

		(ii) Non-Adjusted:	[Applicable/Not Applicable]
	(e)	Calculation Agent responsible for calculating the amount of interest:	[Agent]/ [ ]
	(f)	Determination Date(s):	[ ] [Not Applicable]
13.	Zero Coupon Note Provisions:		[Applicable/Not Applicable]
	(a)	Accrual Yield:	[ ]
	(b)	Reference Price:	[ ]
	(c)	Calculation Agent (if any):	[ ]
14.	Floating Rate Note Provisions:		[Applicable/Not Applicable]
	(a)	Calculation Agent responsible for calculating the Interest Rate and Interest Amount:	[Agent]/ [ ]
	(b)	Interest Period(s) or specified Interest Payment Date(s):	[ ]
	(c)	Business Day Convention:	[Floating Rate/Following Business Day/Modified Following Business Day/Preceding Business Day]
	(d)	First Interest Payment Date:	[ ]
	(e)	Calculation Date:	[ ]
	(f)	Interest Rate Basis/Bases:	[CMT Rate/Compounded Daily SONIA – Non-Index Determination/ Compounded Daily SONIA – Index Determination /[SOFR:][Compounded Daily SOFR – Non-Index Determination/ Compounded Daily SOFR – Index Determination]/[Average SOFR]]/ EURIBOR/Federal Funds Rate/Prime Rate/Treasury Rate]
	(g)	Interest Determination Date(s):	[ ] [TARGET/[ ]] Business Days [in [ ]] prior to the [ ] day in each Interest Period/each Interest Payment Date][The [first/[ ]] [London Banking Day]/[TARGET Business Day]/[US Government Securities Business Day]/[[*City*] Banking Day] falling after the last day of the relevant [SOFR] Observation Period][(where "**[*City*] Banking Day**" means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in [*City*])] / [The date which is [two/[ ]] US Government Securities Business Days before the relevant Interest Payment Date (or other date on which payment of interest falls due)] / [ ]
	(h)	Designated CMT Reuters Page:	[Not Applicable] [Reuters 7051 Page/Reuters Page T7052]

	(i)	Designated EURIBOR Page:	[Not Applicable] [EURIBOR 01/[ ]]
	(j)	Relevant Screen Page in respect of Compounded Daily SONIA [Rate]:	[Not Applicable] [ ]
	(k)	Initial Interest Rate:	[ ]
	(l)	Initial Interest Reset Date:	[ ]
	(m)	Interest Reset Period:	[ ]
	(n)	Interest Reset Dates:	[ ]
	(o)	Index Maturity:	[Not Applicable] [ ]
	(p)	Designated CMT Maturity Index:	[Not Applicable] [ ]
	(q)	Margin(s):	[plus/minus] [ ]% per annum
	(r)	Minimum Interest Rate (if any):	[ ]% per annum
	(s)	Maximum Interest Rate (if any):	[ ]% per annum
	(t)	Day Count Fraction:	[[Actual/Actual (ISDA)] [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)]]
	(u)	Observation Method:	[Not Applicable/Lag/Lock-out/Shift]
		-Lag Period:	[5 / [ ] [London Banking Days] [US Government Securities Business Days] [Not Applicable]
		-Shift Period:	[5 / [ ] [London Banking Days] [US Government Securities Business Days]] [Not Applicable] (*NB: A minimum of 5 relevant business/banking days should be specified for the Lag Period or Shift Period, unless otherwise agreed with the Calculation Agent*)
	(v)	Index Determination:	[Applicable/Not Applicable]
		-Relevant Number	[[5 / [ ]] [US Government Securities Business Days]/[London Banking Days]]/[Not Applicable] (*If 'Index Determination' is 'Not Applicable', delete 'Relevant Number'*) (*If 'Index Determination' is 'Applicable', insert number of days (expected to be five or greater (if Compounded Daily SONIA) or two or greater (if Compounded Daily SOFR)) as the Relevant Number*)
15.	Reset Note Provisions:		[Applicable/Not Applicable]
	(a)	Initial Rate of Interest:	[ ]% per annum payable in arrear on each Interest Payment Date]

(b)	First Margin:		[+/-][ ]% per annum
(c)	Subsequent Margin:		[[+/-][ ]% per annum] [Not Applicable]
(d)	Interest Payment Date(s):		[[ ] [and [ ]] in each year up to and including the Maturity Date
(e)	Calculation Date:		[ ]
(f)	Fixed Coupon Amount to (but excluding) the First Reset Date:		[ ] per Calculation Amount
(g)	Broken Amount(s):		[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
(h)	Reset Reference Rate:		[[CMT Rate / Compounded Daily SONIA – Non-Index Determination / Compounded Daily SONIA – Index Determination / [[Compounded Daily SOFR - Non-Index Determination / Compounded Daily SOFR - Index Determination]/[Average SOFR]] /EURIBOR/Federal Funds Rate/Prime Rate/Treasury Rate]/[Mid-Swaps]/[/Reference Bond]]
	(i)	Interest Determination Date(s):	[ ] [TARGET/[ ]] Business Days [in [ ]] prior to the [ ] day in each Interest Period/each Interest Payment Date][The [first/[ ]] [London Banking Day]/[TARGET Business Day]/[US Government Securities Business Day]/[[*City*] Banking Day] falling after the last day of the relevant [SOFR] Observation Period][(where "**[*City*] Banking Day**" means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in [*City*])] / [The date which is [two/[ ]] US Government Securities Business Days before the relevant Interest Payment Date (or other date on which payment of interest falls due)] / [ ]
	(ii)	Designated CMT Reuters Page:	[Not Applicable] [Reuters 7051 Page/Reuters Page T7052]
	(iii)	Designated EURIBOR Page:	[Not Applicable] [EURIBOR 01/[ ]]
	(iv)	Relevant Screen Page in respect of Compounded Daily SONIA [Rate]:	[Not Applicable] [ ]
	(v)	Index Maturity:	[Not Applicable] [ ]
	(vi)	Designated CMT Maturity Index:	[Not Applicable] [ ]
	(vii)	Margin(s):	[plus/minus] [ ]% per annum

	(viii)	Minimum Interest Rate (if any):	[ ]% per annum
	(ix)	Maximum Interest Rate (if any):	[ ]% per annum
	(x)	Day Count Fraction:	[[Actual/Actual (ISDA)] [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)]]
	(xi)	Observation Method:	[Not Applicable/Lag/Lock-out/Shift]
		-Lag Period:	[5 / [ ] [London Banking Days] [US Government Securities Business Days] [Not Applicable]
		-Shift Period:	[5 / [ ] [London Banking Days] [US Government Securities Business Days]] [Not Applicable] (*NB: A minimum of 5 London Banking Days if Compounded Daily SONIA or 2 US Government Securities Business Days, if Compounded Daily SOFR should be specified for the Lag Period or Shift Period, unless otherwise agreed with the Calculation Agent*)
	(xii)	Index Determination:	[Applicable/Not Applicable]
		-Relevant Number	[[5 / [ ]] [London Banking Days] [US Government Securities Business Days]]/[Not Applicable] (*If 'Index Determination' is 'Not Applicable', delete 'Relevant Number'*) (*If 'Index Determination' is 'Applicable', insert number of days (expected to be five or greater) as the Relevant Number*)
(i)		First Reset Date:	[ ]
(j)		Second Reset Date:	[ ]/[Not Applicable]
(k)		Subsequent Reset Date(s):	[ ] [and [ ]] [Not Applicable]
(l)		Relevant Screen Page:	[ ]
(m)		Mid-Swap Rate:	[Single Mid-Swap Rate/Mean Mid-Swap Rate] [Not Applicable]
(n)		Mid-Swap Fallback Rate in respect of the first Reset Determination Date:	[[ ] %.] [Not Applicable]
(o)		Fixed Leg Swap Duration:	[12 months / 6 months / [ ]] [Not Applicable]
(p)		Floating Leg Swap Duration:	[12 months / 6 months / 3 months / [ ]] [Not Applicable]

	(q)	Mid-Swap Floating Leg Benchmark Rate:	[[6]-month EURIBOR (calculated on an Actual/360 day count basis)] / [Overnight SONIA rate compounded for the Floating Leg Swap Duration (calculated on an Actual/365 day count basis)] / [Overnight SOFR rate compounded for the Floating Leg Swap Duration (calculated on an Actual/360 day count basis)] / [ ] / [Not Applicable]
	(r)	Reference Bond Reset Rate Time:	[ ]/[Not Applicable]
	(s)	Reference Bond Fallback Rate in respect of the first Reset Determination Date:	[ ]/[Not Applicable]
	(t)	Day Count Fraction:	[30/360] [Actual/Actual (ICMA)]
	(u)	Reset Determination Date(s):	[[ ] in each year][Not Applicable]
	(v)	Business Center(s):	[ ]
	(w)	Business Day Convention:	[Following Business Day/Modified Following Business Day/Preceding Business Day]
		• Adjusted:	[Applicable]/[Not Applicable]
		• Non-Adjusted:	[Applicable]/[Not Applicable]
	(x)	Calculation Agent:	[ ]
16.	Benchmark Replacement:		[Applicable/Not Applicable]

PROVISIONS REGARDING REDEMPTION/MATURITY

17.	Maturity Date:		[ ]/[Interest Payment Date falling [in/on] or nearest to [..]
18.	Redemption at Issuer's option:		[Applicable/Not Applicable]
	(a)	Early Redemption Date(s):	[ ]/[Any day falling in the period commencing on (and including) [ ] and ending on ([and including/but excluding]) [the [first] Reset Date]/[the Maturity Date]/[ ]]
	(b)	Redemption Price of each note:	[[ ] per note of [ ] Specified Denomination]
	(c)	Notice Periods:	Minimum period: [ ] days Maximum period: [ ] days
19.	(a)	Senior Non-Preferred Notes: Loss Absorption Disqualification Event Redemption:	[Applicable/*specify if Not Applicable*]
	(b)	Loss Absorption Disqualification Event:	[Full Exclusion / Full or Partial Exclusion / Not Applicable]

	(c)	Senior Non-Preferred Notes: Substitution and Variation:	[Applicable/*specify if Not Applicable*]
20.	Repayment at holder's option:		[Applicable/Not Applicable]
	(a)	Optional Repayment Date(s):	[ ]
	(b)	Repayment price of each note:	[ ] per note of [ ] Specified Denomination
	(c)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days
21.	Minimum Denomination for early redemption/repayment:		[ ]
22.	Regulatory Event (subordinated notes only):		[Full Exclusion / Full or Partial Exclusion / Not Applicable]

THIRD-PARTY INFORMATION

[[ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of **NATIONWIDE BUILDING SOCIETY**

By:	By:
.....	.....
Duly Authorized	*Duly Authorized*

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

(a)	Listing and Admission to trading:	London Stock Exchange plc's main market and to be listed on the Official List of the Financial Conduct Authority
(b)	Estimate of total expenses related to admission to trading:	[ ]

2. **RATINGS**

Ratings:	The [Program/notes to be issued] [has/have] been rated:
[Moody's Investors Service Limited:	[ ]]
[S&P Global Ratings UK Limited:	[ ]]
[Fitch Ratings Ltd.:	[ ]]
	[A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. The rating agenc[y/ies] above [has/have] published the following high-level description[s] of such rating[s]:
	- A rating of [ ] by Moody's Investors Service Limited is described by it as indicating [ ].
	- A rating of [ ] by S&P Global Ratings UK Limited is described by it as indicating [ ].
	- A rating of [ ] by Fitch Ratings Ltd. is described by it as indicating [ ].]

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

[Save for any fees payable to the Placement Agent(s), so far as the Issuer is aware, no person involved in the issue of the notes has an interest material to the offer. The Placement Agent(s) and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

4. **YIELD** (*Fixed Rate Notes only*)

Indication of yield:	[ ]

5. **OPERATIONAL INFORMATION**

(a)	CUSIP:	[ ]
(b)	ISIN Code:	[ ]
(c)	Common Code:	[ ]

(d)	Any clearing system(s) other than The Depository Trust Company and the relevant identification number(s):	[ ][Not Applicable]
(e)	Names and addresses of additional Paying Agent(s) (if any):	[ ]
(f)	Relevant Benchmark[s]:	[[*specify benchmark*] is provided by [*administrator legal name*]]. As at the date hereof, [[*administrator legal name*][appears]/[does not appear]] in the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 (Register of administrators and benchmarks) of the UK Benchmarks Regulation]/[As far as the Society is aware, as at the date hereof, [*specify benchmark*] does not fall within the scope of the UK Benchmarks Regulation]/[Not Applicable]

6. **DISTRIBUTION**

Prohibition of sales to EEA Retail Investors:	[Applicable/Not Applicable]
Prohibition of sales to UK Retail Investors:	[Applicable/Not Applicable]

7. **REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS**

(a)	Reasons for the offer:	[See ["Use of Proceeds"] in the Base Prospectus /*Give details*]
(b)	Estimated net proceeds:	[ ]

8. **US FEDERAL INCOME TAX CONSIDERATIONS**

[Not applicable]/[[For notes issued in compliance with Rule 144A that are contingent payment debt instruments or which are otherwise issued with original issue discount for U.S. federal income tax purposes:][For U.S. federal income tax purposes, the Issuer intends to treat the notes as [Original Issue Discount Notes/fixed-rate debt/fixed-rate debt issued with original issue discount/contingent payment debt instruments, [for which purpose, the comparable yield relating to the notes will be [ ]% compounded [semi-annually/quarterly/monthly], and that the projected payment schedule with respect to a note consists of the following payments: [ ]/for which purpose, the comparable yield and the projected payment schedule are available by contacting [ ] at [ ]]/Floating Rate Notes/Floating Rate Notes issued with original issue discount/Foreign Currency Notes/Foreign Currency Notes issued with original issue discount/Short-Term Notes.]]

[For a Qualified Reopening of notes issued in compliance with Rule 144A:][Qualified Reopening. The issuance of the notes should be treated as a "qualified reopening" of the notes issued on [ ] within the meaning of the Treasury regulations governing original issue discount on debt instruments (the "**OID Regulations**"). Therefore, for purposes of the OID Regulations, the notes issued in this offering should be treated as having the same issue date and the same issue price as the notes issued on [ ] and should [not] be considered to have been issued with original issue discount for U.S. federal income tax purposes.]

TAXATION

US Federal Income Taxation

The following summary describes certain U.S. federal income tax consequences of the purchase, ownership and disposition of notes. Except where noted, this discussion deals only with holders that acquire the notes at their original issuance and that will hold the notes as capital assets and does not deal with investors subject to special tax rules, such as dealers in securities or currencies, financial institutions, regulated investment companies, real estate investment trusts, tax-exempt entities, individual retirement accounts and other tax-deferred accounts, insurance companies, persons holding notes as a part of a hedging, integrated, conversion or constructive sale transaction or a straddle, entities or arrangements treated as partnerships for U.S. federal income tax purposes, traders in securities that elect to use mark-to-market method of accounting for their securities holdings, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, or U.S. Holders (as defined below) of notes whose "functional currency" is not the U.S. dollar. The discussion below is based upon the provisions of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), its legislative history, final, temporary and proposed U.S. Treasury regulations promulgated thereunder, published rulings and judicial decisions as of the date hereof, all of which are subject to change possibly with retroactive effect or possible differing interpretations so as to result in U.S. federal income tax consequences different from those discussed below. This summary assumes that there will be no substitution of another entity in the place of the Issuer as principal debtor in respect of the notes.

The discussion set forth below only covers notes issued pursuant to the medium-term note program that will constitute debt for U.S. federal income tax purposes. If any note did not constitute debt for U.S. federal income tax purposes, the tax consequences of the ownership of such note could differ materially from the tax consequences described herein. This summary does not address the U.S. federal income tax consequences of every type of note which may be issued under the program, such as notes with an original maturity of more than 30 years or with certain contingent payment features (except to the limited extent discussed below), and additional or modified disclosure concerning certain U.S. federal income tax consequences relevant to such types of notes will be provided as appropriate. Moreover, this summary does not address U.S. federal estate, gift, or alternative minimum tax considerations, the Medicare tax on net investment income, non-U.S., state or local tax considerations or special tax accounting rules as a result of any item of gross income with respect to the notes being taken into account on an applicable financial statement.

As used herein, a "**U.S. Holder**" of a note means a beneficial owner that is, for U.S. federal income tax purposes, (i) a citizen or individual resident of the United States, (ii) a corporation created or organized in or under the laws of the United States or any political subdivision thereof (including the District of Columbia), (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust (X) that is subject to the supervision of a court within the United States and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust or (Y) that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person. A "**Non-U.S. Holder**" is a beneficial owner of notes that is neither a U.S. Holder nor a partnership.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds notes, the tax treatment of a partner in such entity or arrangement will generally depend upon the status of the partner and the activities of the partnership. An entity or arrangement treated as a partnership for U.S. federal income tax purposes considering holding notes should consult its tax advisors concerning the U.S. federal income tax consequences to it and its partners of the acquisition, ownership and disposition of the notes by the partnership.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY AND DOES NOT ADDRESS EVERY TYPE OF NOTE THAT CAN BE ISSUED UNDER THE PROGRAM. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF U.S. FEDERAL, STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Payments of Interest

Except as set forth below, interest (including the amount of any taxes withheld and the payment of any additional amounts) on a note, other than interest on an "Original Issue Discount Note" that is not "qualified stated interest" (each as defined below), generally will be taxable to a U.S. Holder as ordinary income at the time it is paid or accrued in accordance with the U.S. Holder's method of tax accounting, reduced by the allocable amount of amortizable bond premium, if any (discussed below). Interest income (including original issue discount ("**OID**"), if any, as discussed below) on the notes will generally be treated as foreign source income. Prospective purchasers should consult their tax advisors concerning the applicability of the foreign tax credit and source of income rules to income attributable to the notes.

Original Issue Discount

U.S. Holders of notes issued with OID will be subject to special tax accounting rules, as described in greater detail below. U.S. Holders of such notes should be aware that they generally must include OID in gross income as ordinary income in advance of the receipt of cash attributable to that income. However, U.S. Holders of such notes generally will not be required to include separately in income cash payments received on the notes, even if denominated as interest, to the extent such payments do not constitute "qualified stated interest" (as defined below) and were previously included in income as OID. Notes issued with OID will be referred to as "**Original Issue Discount Notes**." The pricing term sheet that is provided to investors in connection with the confirmation of the purchase of their securities and the applicable Final Terms will specify if a series of notes should be treated as Original Issue Discount Notes.

Additional rules applicable to Original Issue Discount Notes that are denominated in or determined by reference to a currency other than the U.S. dollar are described under "*—Foreign Currency Notes*" below.

For U.S. federal income tax purposes, a note, other than a note with a term of one year or less (a "**Short-Term Note**"), with an "issue price" (as defined below) that is less than its stated redemption price at maturity (the sum of all payments to be made on the note other than payments of qualified stated interest) will be issued with OID unless such difference is *de minimis* (i.e., less than 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity or, in the case of an note that provides for the payment of amounts other than qualified stated interest before maturity, the weighted average maturity). A note's weighted average maturity is the sum of the following amounts determined for each payment on a note (other than a payment of "qualified stated interest"): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the note's stated redemption price at maturity. The "**issue price**" of each note in a particular offering will be the first price at which a substantial amount of that particular offering is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. The term "**qualified stated interest**" means stated interest that is unconditionally payable over the entire term of the note in cash or in property (other than debt instruments of the Issuer) at least annually at a single fixed rate or, subject to certain conditions, based on one or more interest indices. Interest is payable at a single fixed rate only if the rate appropriately takes into account the length of the interval between payments.

In the case of a note issued with *de minimis* OID, the U.S. Holder generally must include such *de minimis* OID in income at the time principal payments on the note are made in proportion to the amount paid for the note. Any amount of *de minimis* OID includable in income will be treated as capital gain.

Certain notes may be redeemed prior to their maturity at the option of the Issuer and/or at the option of the holder. Original Issue Discount Notes containing such features may be subject to rules that differ from the general rules discussed herein. In the case of notes that provide for alternative payment schedules, OID is calculated by assuming that (i) the holder will exercise or not exercise options in a manner that maximizes the holder's yield and (ii) the Issuer will exercise or not exercise options in a manner that minimizes the holder's yield.

U.S. Holders of Original Issue Discount Notes with a maturity upon issuance of more than one year must, in general, include OID in income in advance of the receipt of some or all of the related cash payments. The amount of OID includible in income by the initial U.S. Holder of an Original Issue Discount Note is the sum of the "daily portions" of OID with respect to the Original Issue Discount Note for each day during the taxable year or portion of the taxable year in which such U.S. Holder held such Original Issue Discount Note ("**accrued OID**"). The daily portion is determined by allocating to each day in any "accrual period" a *pro rata* portion of the OID allocable to that accrual period. The "accrual period" for an Original Issue Discount Note may be of any length and may vary in length over the term of the Original Issue Discount Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on either the first day or the final day of an accrual period. The amount of OID allocable to any accrual period is an amount equal to the excess, if any, of (a) the product of the Original Issue Discount Note's "adjusted issue price" at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of any qualified stated interest allocable to the accrual period. OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The "**adjusted issue price**" of an Original Issue Discount Note at the beginning of any accrual period is equal to its issue price increased by the amount of accrued OID for each prior accrual period (determined without regard to the amortization of any acquisition or bond premium, as described below) and reduced by any payments made on such note (other than qualified stated interest) on or before the first day of the accrual period. Under these rules, a U.S. Holder will generally have to include in income increasingly greater amounts of OID in successive accrual periods.

In the case of an Original Issue Discount Note that is treated as a "variable rate debt instrument" under U.S. Treasury regulations (a "**Floating Rate Note**"), both the "yield to maturity" and "qualified stated interest" generally will be determined solely for purposes of calculating the accrual of OID as though the Floating Rate Note will bear interest in all periods at a fixed rate generally equal to the value of the rate that would be applicable to interest payments on the note on its date of issue or, in the case of certain Floating Rate Notes, the rate that reflects the yield to maturity that is reasonably expected for the note. Additional rules may apply if interest on a Floating Rate Note is based on more than one interest index or if the principal amount of the Floating Rate Note is indexed in any manner. Different rules may apply if a Floating Rate Note is treated as a contingent payment debt instrument under U.S. Treasury regulations.

Certain notes may be treated as contingent payment debt instruments for U.S. federal income tax purposes. The pricing term sheet that is provided to investors in connection with the confirmation of the purchase of their securities and the applicable Final Terms will specify if a series of notes should be treated as contingent payments debt instruments for U.S. federal income tax purposes. Under applicable U.S. Treasury regulations, interest on contingent payment debt instruments is treated as OID and must be accrued on a constant-yield basis based on a yield to maturity that reflects the rate at which the Issuer would issue a comparable fixed-rate instrument with no contingent payments but with terms and conditions otherwise similar to the contingent payment debt instruments (the "**comparable yield**"), based on a projected payment schedule determined by the Issuer (the "**projected payment schedule**"). This projected payment schedule must include each non-contingent payment on the note and an estimated amount for each contingent payment, and must produce the comparable yield.

The Issuer will be required to provide to holders, solely for U.S. federal income tax purposes, a schedule of the projected amounts of payments on such notes that are treated as contingent payment debt instruments for U.S. federal income tax purposes. The applicable Final Terms will either contain the comparable yield and projected payment schedule, or will provide an address to which a U.S. Holder of a contingent payment debt instrument can submit a written request for this information. A U.S. Holder generally will be bound by the comparable yield and the projected payment schedule determined by the Issuer unless the U.S. Holder determines its own comparable yield and projected payment schedule and explicitly and timely justifies and discloses such schedule to the U.S. Internal Revenue Service ("**IRS**"). The Issuer's determination, however, is not binding on

the IRS, and it is possible that the IRS could conclude that some other comparable yield or projected payment schedule should be used instead.

THE COMPARABLE YIELD AND PROJECTED PAYMENT SCHEDULE WILL NOT BE DETERMINED FOR ANY PURPOSE OTHER THAN FOR THE DETERMINATION OF INTEREST ACCRUALS AND ADJUSTMENTS THEREOF IN RESPECT OF CONTINGENT NOTES FOR U.S. FEDERAL INCOME TAX PURPOSES AND WILL NOT CONSTITUTE A PROJECTION OR REPRESENTATION REGARDING THE ACTUAL AMOUNTS PAYABLE TO THE HOLDERS OF THE NOTES.

Gain from the sale, exchange, retirement or other disposition of a contingent payment debt instrument will be treated as interest income taxable at ordinary income (rather than capital gains) rates. Any loss will be ordinary loss to the extent that the U.S. Holder's total interest inclusions to the date of sale, exchange or retirement exceed the total net negative adjustments that the U.S. Holder took into account as ordinary loss, and any further loss will be capital loss. Gain or loss realized by a U.S. Holder on the sale, exchange, retirement or other disposition of a note that is treated as a contingent payment debt instrument generally will be treated as foreign source gain or loss. Prospective purchasers should consult their tax advisors as to the U.S. federal income tax consequences of purchasing contingent payment debt instruments.

U.S. Holders may elect to treat all interest on any note as OID and calculate the amount includible in gross income under the constant yield method described above with certain modifications. For the purposes of this election, interest includes stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. The election is to be made for the taxable year in which the U.S. Holder acquired the note, and may not be revoked without the consent of the IRS.

Notes Subject to Redemption

Certain of the notes: (i) may be redeemable at the option of the Issuer prior to their maturity, (ii) may be repayable at the option of the holder prior to their stated maturity, or (iii) may be otherwise subject to mandatory redemption. Notes containing such features may be subject to rules that are different from the general rules discussed above, which will depend, in part, on the particular terms and features of such notes.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (calculated as set forth below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realized on the sale, exchange, retirement or other disposition of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale, exchange, retirement or other disposition. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realized.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Market Discount

If a U.S. Holder purchases a note (other than a Short-Term Note) for an amount that is less than its stated redemption price at maturity or, in the case of an Original Issue Discount Note, its revised issue price, the amount of the difference will be treated as "market discount" for U.S. federal income tax purposes, unless such difference is less than a specified *de minimis* amount. Under the market discount rules, a U.S. Holder will be required to treat any principal payment on, or any gain on the sale, exchange, retirement or other disposition of, a note as ordinary income to the extent of the market discount which has not previously been included in income and is treated as having accrued on such note at the time of such payment or disposition. In addition, the U.S. Holder generally will be required to defer, until the maturity of the note or its earlier disposition in a taxable transaction, the deduction of all or a portion of the interest expense on any indebtedness incurred or continued to purchase or carry such note. Such interest is deductible when paid or incurred to the extent of income from the note for the year. If the interest expense exceeds such income, such excess is currently deductible only to the extent that such excess exceeds the portion of the market discount allocable to the days during the taxable year on which such note was held by the U.S. Holder.

Any market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of the note on a straight-line basis, unless the U.S. Holder elects to accrue on a constant yield method. This election to accrue market discount on a constant yield method is to be made for the taxable year in which the U.S. Holder acquired the note, applies only to that note, and may not be revoked without the consent of the IRS. A U.S. Holder may elect to include market discount in income currently as it accrues (on either a ratable or constant-yield method), in which case the rule described above regarding deferral of interest deductions will not apply. This election to include market discount in income currently, once made, applies to all market discount obligations acquired on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the IRS.

Acquisition Premium; Amortizable Bond Premium

A U.S. Holder that purchases an Original Issue Discount Note for an amount that is greater than its adjusted issue price but equal to or less than the sum of all amounts payable on the note after the purchase date other than payments of qualified stated interest will be considered to have purchased such note at an "acquisition premium." Under the acquisition premium rules, if the U.S. Holder does not make the election to treat all interest as OID (as described above) then the amount of OID which such U.S. Holder must include in its gross income with respect to such note for any taxable year will be reduced by the portion of such acquisition premium properly allocable to such year.

A U.S. Holder that purchases a note (including an Original Issue Discount Note), for an amount in excess of the sum of all amounts payable on the note after the purchase date other than qualified stated interest will be considered to have purchased the note at a "bond premium." A U.S. Holder generally may elect to amortize bond premium over the remaining term of the note on a constant yield method as an offset to interest when includible in income under the U.S. Holder's regular tax accounting method. In the case of instruments that provide for alternative payment schedules, bond premium is calculated by assuming that (i) the holder will exercise or not exercise options in a manner that maximizes the holder's yield and (ii) the Issuer will exercise or not exercise options in a manner that minimizes the holder's yield. Bond premium on a note held by a U.S. Holder that does not make such an election will decrease the gain or increase the loss otherwise recognized on disposition of the note. The election to amortize premium on a constant yield method once made applies to all debt obligations held or subsequently acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the IRS.

Sale, Exchange and Retirement or Other Disposition of Notes

Upon the sale, exchange, retirement or other disposition of a note, a U.S. Holder generally will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, retirement or other disposition (less an amount equal to any accrued but unpaid qualified stated interest, which will be treated as a payment of interest for U.S. federal income tax purposes) and the adjusted tax basis of the note. A U.S. Holder's

adjusted tax basis in a note will, in general, be the U.S. Holder's cost therefor, increased by the amount of any OID, market discount or any income attributable to *de minimis* OID or *de minimis* market discount previously included in income by the U.S. Holder and reduced by any amortizable bond premium applied to reduce interest on the note and any payments on the note other than qualified stated interest. Except as with respect to certain Short-Term Notes or notes with market discount as described above, with respect to gain or loss attributable to changes in exchange rates, with respect to certain Foreign Currency Notes as described below, and with respect to contingent payment debt instruments as described above, such gain or loss will be capital gain or loss. Except with respect to notes that are treated as contingent payment debt instruments as described above, gain or loss realized by a U.S. Holder on the sale, exchange, retirement or other disposition of a note generally will be treated as U.S. source gain or loss. Capital gains of individuals derived from capital assets held for more than one year may be eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Foreign Currency Notes

The following is a summary of the principal U.S. federal income tax consequences to a U.S. Holder of the ownership of a note denominated in a currency other than the U.S. dollar (a "**Foreign Currency Note**").

Qualified Stated Interest Payments

Cash basis U.S. Holders are required to include in income the U.S. dollar value of the amount of interest received, based on the "spot rate" for such foreign currency in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. No exchange gain or loss is recognized with respect to the receipt of such payment.

Accrual basis U.S. Holders may determine the amount of income recognized with respect to such interest payment in accordance with either of two methods. Under the first method, the U.S. Holder will be required to include in income for each taxable year the U.S. dollar value of the interest that has accrued during such year, determined by translating such interest at the average rate of exchange for the period or periods during which such interest accrued (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part within each taxable year). Under the second method, an accrual basis holder may elect to translate interest income at the spot rate on the last day of the accrual period (or last day of the taxable year in the case of a portion of an accrual period that straddles the holder's taxable year) or on the date the interest payment is received if such date is within five days of the end of the accrual period. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by such holder and will be irrevocable without the consent of the IRS. Upon receipt of an interest payment on such Foreign Currency Note (including, upon the sale of or other disposition such Foreign Currency Note, the receipt of proceeds that include amounts attributable to accrued interest previously included in income), the accrual basis U.S. Holder will recognize U.S. source ordinary income or loss in an amount equal to the difference between the U.S. dollar value of such payment (determined by translating any foreign currency received at the spot rate for such foreign currency on the date received) and the U.S. dollar value of the interest income that such U.S. Holder has previously included in income with respect to such payment, regardless of whether the payment is in fact converted into U.S. dollars.

Original Issue Discount

OID on a Foreign Currency Note will be determined for any accrual period in the applicable foreign currency and then translated into U.S. dollars in the same manner as interest income accrued by an accrual basis holder, as described above. Additionally, a U.S. Holder will recognize exchange gain or loss (which will be treated as ordinary income or loss) when the OID is paid (including, upon the sale, exchange, retirement or other disposition of such Foreign Currency Note, the receipt of proceeds that include amounts attributable to OID previously included in income) to the extent of the difference between the U.S. dollar value of such payment (determined by translating any foreign currency received at the spot rate for such foreign currency on the date of payment) and the U.S. dollar value of the accrued OID (determined in the same manner as for accrued interest). For these purposes, all receipts on a Foreign Currency Note will be viewed: first, as the receipt of any stated interest payments called for under the terms of the Foreign Currency Note; second, as receipts of previously

accrued OID (to the extent thereof), with payments considered made for the earliest accrual periods first; and third, as the receipt of principal.

Market Discount

The amount of market discount on Foreign Currency Notes includible in income will generally be determined by translating the market discount determined in the foreign currency into U.S. dollars at the spot rate on the date the Foreign Currency Note is retired or otherwise disposed of. If the U.S. Holder has elected to accrue market discount currently, then the amount which accrues is determined in the foreign currency and then translated into U.S. dollars on the basis of the average exchange rate in effect during such accrual period (or portion thereof within the U.S. Holder's taxable year), and the U.S. Holder will recognize exchange gain or loss with respect to market discount determined using the approach applicable to the accrual of interest income described above.

Amortizable Bond Premium

Bond premium on a Foreign Currency Note will be computed in the applicable foreign currency. With respect to a U.S. Holder that elects to amortize the premium, the amortizable bond premium will reduce interest income in the applicable foreign currency. At the time bond premium is amortized, exchange gain or loss (which is generally taxable as ordinary income or loss) will be realized based on the difference between spot rates at such time and at the time of acquisition of the Foreign Currency Note. A U.S. Holder that does not elect to amortize bond premium will translate the bond premium, computed in the applicable foreign currency, into U.S. dollars at the spot rate on the maturity date and such bond premium will constitute a market loss which may be offset or eliminated by exchange gain.

Sale, Exchange and Retirement or Other Disposition of Foreign Currency Notes

Upon the sale, exchange, retirement or other disposition of a Foreign Currency Note, a U.S. Holder generally will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, retirement or other disposition (less an amount equal to any accrued and unpaid interest, which will be treated as a payment of interest for U.S. federal income tax purposes) and the U.S. Holder’s adjusted tax basis in the Foreign Currency Note.

If a U.S. Holder receives foreign currency on the sale, exchange, retirement or other disposition of a Foreign Currency Note, then the amount realized generally will be based on the spot rate of the foreign currency on the date of sale. For purchases and sales of Foreign Currency Notes traded on an established securities market as defined in applicable U.S. Treasury regulations by a cash method taxpayer, however, foreign currency paid or received is translated into U.S. dollars at the spot rate on the settlement date of the purchase or sale. An accrual method taxpayer may elect the same treatment with respect to the purchase and sale of Foreign Currency Notes traded on an established securities market, provided that the election is applied consistently from year to year. This election cannot be changed without the consent of the IRS.

A U.S. Holder’s adjusted tax basis in a Foreign Currency Note generally will be the U.S. Holder’s cost therefore, which, in the case of a U.S. Holder that purchases a Foreign Currency Note with foreign currency, will be the U.S. dollar value of the foreign currency amount paid for such Foreign Currency Note determined at the time of such purchase. If the Foreign Currency Notes are traded on an established securities market, as defined in applicable U.S. Treasury regulations, cash method taxpayers (and electing accrual method taxpayers) will determine the U.S. dollar cost of the Foreign Currency Note on the settlement date. A U.S. Holder that purchases a Foreign Currency Note with previously owned foreign currency will recognize U.S. source exchange gain or loss at the time of purchase attributable to the difference at the time of purchase, if any, between the U.S. Holder’s tax basis in such foreign currency and the fair market value of the Foreign Currency Note in U.S. dollars on the date of purchase. Such gain or loss will be treated as ordinary income or loss.

Gain or loss recognized by a U.S. Holder on the sale, exchange, retirement or other disposition of a Foreign Currency Note will generally be treated as U.S. source gain or loss. Subject to the foreign currency rules discussed below, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if at the

time of sale, exchange, retirement or other disposition, the Foreign Currency Note has been held for more than one year. Capital gains of individuals derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

A U.S. Holder will recognize exchange gain or loss attributable to the movement in exchange rates between the time of purchase and the time of disposition (including the sale, exchange, retirement or other disposition) of a Foreign Currency Note. Such gain or loss will be treated as ordinary income or loss (and will not be taxable as interest income or expense, except to the extent provided in U.S. Treasury regulations or administrative pronouncements of the IRS) and generally will be U.S. source gain or loss. The realization of such gain or loss (including any exchange gain or loss attributable to interest or OID realized in connection with the disposition) will be limited to the amount of overall gain or loss realized on the disposition of a Foreign Currency Note.

Exchange Gain or Loss With Respect to Foreign Currency

A U.S. Holder's tax basis in foreign currency received as interest on (or OID with respect to), or received on the sale, exchange, retirement or other disposition of, a Foreign Currency Note will be the U.S. dollar value thereof at the spot rate at the time the holder received such foreign currency. As discussed above, if the Foreign Currency Notes are traded on an established securities market, a cash basis U.S. Holder (or, upon election, an accrual basis U.S. Holder) will determine the U.S. dollar value of the foreign currency by translating the foreign currency received at the spot rate of exchange on the settlement date of the sale. Accordingly, no foreign currency gain or loss will result from currency fluctuations between the trade date and settlement date of a sale. Any gain or loss recognized by a U.S. Holder on a sale, exchange, retirement or other disposition of foreign currency will be ordinary gain or loss and generally will be U.S. source gain or loss.

Non-U.S. Holders

Subject to the discussion of backup withholding and the Foreign Account Tax Compliance Act below, Non-U.S. Holders generally should not be subject to U.S. federal income or withholding tax on any payments on the notes and gain from the sale, exchange, retirement or other disposition of the notes unless: (i) that payment and/or gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the United States; (ii) in the case of any gain realized on the sale, exchange, retirement or other disposition of a note by an individual Non-U.S. Holder, that holder is present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement or other disposition and certain other conditions are met; or (iii) the Non-U.S. Holder is subject to tax pursuant to provisions of the Code applicable to certain persons that have ceased to be U.S. citizens or lawful permanent residents of the United States.

Non-U.S. Holders should consult their own tax advisors regarding the U.S. federal income and other tax consequences of owning notes.

Information Reporting and Backup Withholding

In general, payments of principal, interest and accrued OID on, and the proceeds of a sale, exchange, retirement or other disposition of, the notes, by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments, including payments of accrued OID, if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise fails to comply with the applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding.

Tax Return Disclosure Requirements

U.S. Treasury regulations requiring the reporting of certain tax shelter transactions ("**Reportable Transactions**") could be interpreted to cover and require reporting of transactions that are generally not regarded

as tax shelters, including certain foreign currency transactions. Under these regulations, certain transactions may be characterized as Reportable Transactions based upon any of several indicia, including, in certain circumstances, a sale, exchange, retirement or other disposition of a Foreign Currency Note or foreign currency received in respect of a Foreign Currency Note to the extent that such sale, exchange, retirement or other disposition results in a tax loss in excess of a threshold amount. Persons considering the purchase of Foreign Currency Notes should consult with their tax advisors to determine the tax return obligations, if any, with respect to an investment in such notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Foreign Financial Asset Reporting

Certain U.S. Holders that own "specified foreign financial assets" that meet certain U.S. dollar value thresholds generally are required to file an information report with respect to such assets with their tax returns. The notes generally will constitute specified foreign financial assets subject to these reporting requirements unless the notes are held in an account at certain financial institutions (in which case the account may be reportable if maintained by a foreign financial institution). U.S. Holders are urged to consult their tax advisors regarding the application of these disclosure requirements to their ownership of the notes.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the Code, commonly known as the Foreign Account Tax Compliance Act ("**FATCA**"), a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) 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. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and notes characterized as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described under "*Terms and Conditions of the Notes—Additional Notes*") that are not distinguishable from previously issued notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all notes, including the notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the notes. In the event any withholding would 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.

UK Taxation

The following is a summary of our understanding of current United Kingdom ("**UK**") law and HM Revenue and Customs ("**HMRC**") published practice (which may or may not be binding on HMRC) relating to the UK withholding taxation treatment as at the date of this Base Prospectus in relation to payments of principal and interest in respect of the notes issued by Nationwide and does not deal with other UK tax aspects of acquiring, holding or disposing of the notes. This summary relates only to the position of persons who are absolute beneficial owners of the notes. Prospective holders should be aware that the particular terms of issue of any series of the notes as specified in the relevant Final Terms may affect the tax treatment of that and other series of notes. This summary is a general guide and does not purport to be a complete analysis of all tax considerations relating to the notes, and you should treat it with appropriate caution.

The comments below are of a general nature and are not intended to be exhaustive. You should seek independent professional advice should you have any doubt as to your tax position. If you may be liable to taxation in jurisdictions other than the UK in respect of your acquisition, ownership, holding and disposition of notes, you are particularly advised to consult your professional advisors as to whether you are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain UK taxation aspects of payments in respect of the notes. In particular, you should be aware that you may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the notes, even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the UK.

The references to "interest" in this UK Taxation summary mean "interest" as understood in UK tax law. The statements in this summary do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the Terms and Conditions of the Notes or any related documentation. This description of the UK withholding tax position assumes that there will be no substitution of the Issuer of the notes pursuant to the Terms and Conditions of the Notes and does not consider the tax consequences of any such substitution.

UK Withholding Tax on Interest

Notes which are listed on a Recognized Stock Exchange

Notes issued by Nationwide which carry a right to interest will constitute "**quoted Eurobonds**" provided they are and continue to be listed on a recognized stock exchange within the meaning of section 1005 of the Income Tax Act 2007. The main market of the London Stock Exchange is a recognized stock exchange for those purposes. Securities will be treated as listed on the main market of the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the FSMA) and admitted to trading on the main market of the London Stock Exchange. Provided that the notes are and continue to be quoted Eurobonds, payments of interest on the notes may be made without withholding or deduction for or on account of UK income tax.

Other Cases

If the notes do not qualify as quoted Eurobonds, as described in "*—Notes which are listed on a Recognized Stock Exchange*", and are capable of being listed on a recognized stock exchange at the time the interest on the notes becomes payable, interest on the notes will generally (subject to certain other exemptions which may be available in certain circumstances) be paid under deduction of UK income tax at the rate of (currently) 20%, subject to any direction to the contrary from HMRC in respect of such relief as may be available under the provisions of any applicable double taxation treaty.

Other Rules Relating to UK Withholding Tax

Where notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount for tax purposes, then any such element of premium may constitute a payment of interest. The discount element on notes which are issued at a discount will not generally constitute a payment of interest for these purposes. Payments of interest are subject to UK withholding tax as outlined above.

In addition to the above, in relation to UK withholding tax, where interest has been paid under deduction of UK income tax, holders of notes who are not resident in the UK may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

TRANSFER RESTRICTIONS

We have not registered the notes under the Securities Act or any other applicable securities laws, and they may not be offered or sold except pursuant to an effective registration statement or in accordance with an applicable exemption from the registration requirements of the Securities Act. Accordingly, the notes are being offered and sold only:

- in the United States, to qualified institutional buyers, commonly referred to as "**QIBs**," in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A; or
- outside of the United States, to certain persons, other than U.S. persons within the meaning of Regulation S, in offshore transactions meeting the requirements of Rule 903 of Regulation S.

Purchasers' Representations and Restrictions on Resale

Each purchaser of notes (other than a Placement Agent in connection with the initial issuance and sale of notes) and each owner of any beneficial interest therein, will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

(1) It is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A or (b) a non-U.S. person that is outside the United States within the meaning of Regulation S;

(2) It is not an "affiliate" (as defined in Rule 144 under the Securities Act ("**Rule 144**")) of the Issuer and is not acting on the Issuer's behalf;

(3) It acknowledges that the notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(4) It understands and agrees that notes initially offered in the United States to QIBs will be represented by U.S. Global Notes and that notes offered outside the United States to non-U.S. persons in reliance on Regulation S will be represented by International Global Notes;

(5) If the purchaser is in the United States or is a U.S. person, it shall not resell or otherwise transfer any of such notes except (a) to Nationwide or a Placement Agent or by, through, or in a transaction approved by a Placement Agent, (b) within the United States to a QIB in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States, in compliance with Rule 903 or 904 of Regulation S under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 (if available) or (e) pursuant to an effective registration statement under the Securities Act;

(6) If the purchaser is outside the United States and is not a U.S. person, if it should resell or otherwise transfer the notes prior to the expiration of the Distribution Compliance Period (as defined in Regulation S) applicable to such notes, it will do so only (a) outside the United States in compliance with Rule 903 or 904 of Regulation S under the Securities Act or (b) to a QIB in compliance with Rule 144A;

(7) It agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes;

(8) It acknowledges that prior to any proposed transfer of notes (other than pursuant to an effective registration statement) the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the Indenture;

(9) It acknowledges that the Trustee for the notes will not be required to accept for registration transfer of any notes acquired by it, except upon presentation of evidence satisfactory to Nationwide and such Trustee that the restrictions set forth herein have been complied with; and

(10) It acknowledges that Nationwide, the Placement Agents and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the notes are no longer accurate, it shall promptly notify Nationwide and the Placement Agents. If it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations, and agreements on behalf of each account.

A legend to the following effect will appear on the face of notes, other than International Global Notes, and which will be used to notify transferees of the foregoing restrictions on transfer. Additional copies of this notice may be obtained from the Trustee.

"THE SECURITIES EVIDENCED HEREBY (THE "**NOTES**") HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), OR ANY OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. THE HOLDER HEREOF, BY PURCHASING THE NOTES, (1) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT ("**RULE 144A**")), (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED NOTES THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THE NOTES EXCEPT (I) TO THE ISSUER OR ONE OR MORE PLACEMENT AGENTS FOR THE NOTES (EACH, A "**PLACEMENT AGENT**" AND COLLECTIVELY, THE "**PLACEMENT AGENTS**") OR BY, THROUGH OR IN A TRANSACTION APPROVED BY A PLACEMENT AGENT, (II) SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) IN ACCORDANCE WITH RULE 144A, (III) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (IV) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 (IF AVAILABLE), (V) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT OR (VI) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION. THE HOLDER OF THE NOTES, BY PURCHASING THE NOTES, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOTIFY ANY PURCHASER OF THE NOTES FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. THE ISSUER SHALL HAVE THE RIGHT PRIOR TO ANY OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (VI) ABOVE, TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO THE ISSUER. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE U.S. SECURITIES ACT."

"THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE ON SATISFACTION OF THE CONDITIONS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN."

A legend to the following effect will appear on the face of the International Global Notes.

"THE SECURITIES EVIDENCED HEREBY (THE "**NOTES**") HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT."

For further discussion of the requirements (including the presentation of transfer certificates) under the Indenture to effect exchanges or transfers of interest in global notes and certificated notes, see the subsection entitled "*Terms and Conditions of the Notes—Form, Transfer, Exchange and Denomination*."

PLAN OF DISTRIBUTION

The notes are being offered on a continuous basis for sale by us to or through Barclays Capital Inc., BofA Securities, Inc., Deutsche Bank Securities Inc., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Goldman Sachs & Co. LLC, HSBC Securities (USA) Inc., J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, NatWest Markets Securities Inc., RBC Capital Markets, LLC, UBS Securities LLC and Wells Fargo Securities, LLC together with such other Placement Agent as may be appointed by us with respect to a particular tranche of notes. We refer collectively to these entities as the "Placement Agents." One or more Placement Agents may purchase notes, as principal, from us from time to time for resale to investors and other purchasers at varying prices relating to prevailing market prices at the time of resale as determined by any Placement Agent, or, if so specified in the applicable Final Terms, for resale at a fixed offering price. If we and a Placement Agent agree, a Placement Agent may also utilize its reasonable efforts on an agency basis to solicit offers to purchase the notes. Any Placement Agents of the notes that are not U.S. registered broker-dealers will agree that they will offer and sell the notes within the United States only through U.S. registered broker-dealers. Unless otherwise described in the applicable Final Terms, we will pay a commission to a Placement Agent depending upon its stated maturity for notes sold through such Placement Agent as agent. Commissions with respect to notes with stated maturities in excess of 30 years that are sold through a Placement Agent as an agent of ours will be negotiated between us and that Placement Agent at the time of such sale.

Unless otherwise specified in the applicable Final Terms, any note sold to one or more Placement Agents as principal will be purchased by such Placement Agents at a price equal to 100% of the principal amount thereof less a percentage of the principal amount equal to the commission applicable to an agency sale of a note of identical maturity. A Placement Agent may sell notes it has purchased from us as principal to certain dealers less a concession equal to all or any portion of the discount received in connection with such purchase. The Placement Agent may allow, and such dealers may re-allow, a discount to certain other dealers. After the initial offering of notes, the offering price (in the case of notes to be resold at a fixed offering price), the concession and the reallowance may be changed.

We may withdraw, cancel or modify the offering contemplated hereby without notice and may reject offers to purchase notes in whole or in part. Each Placement Agent shall have the right to reject in whole or in part any offer to purchase notes received by it on an agency basis.

In connection with an offering of notes purchased by one or more Placement Agents as principal on a fixed offering price basis, such Placement Agent(s) will be permitted to engage in transactions that stabilize the price of notes. These transactions may consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of notes. If the Placement Agent creates or the Placement Agents create, as the case may be, a short position in notes, that is, if it sells or they sell notes in an aggregate principal amount exceeding that set forth in the applicable Final Terms, such Placement Agent(s) may reduce that short position by purchasing notes in the open market. In general, purchase of notes for the purpose of stabilization or to reduce a short position could cause the price of notes to be higher than it might be in the absence of such purchases.

Neither we nor any of the Placement Agents makes any representation or prediction as to the direction or magnitude of any effect that the transactions described in the immediately preceding paragraph may have on the price of notes. In addition, neither we nor the Placement Agents makes any representation that the Placement Agents will engage in any such transactions or that such transactions, once commenced, will not be discontinued without notice.

We have agreed to indemnify the Placement Agents against some liabilities (including liabilities under the Securities Act) or to contribute to payments the Placement Agents may be required to make in respect thereof. We have also agreed to reimburse the Placement Agents for some other expenses.

The Placement Agents may from time to time purchase and sell notes in the secondary market, but they are not obligated to do so and may discontinue any such activities at any time and there can be no assurance that there will be a secondary market for the notes or liquidity in the secondary market if one develops. From time to time, the Placement Agents may make a market in the notes.

The Placement Agents and certain of their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financial and brokerage activities. Certain of the Placement Agents and/or their affiliates have, directly or indirectly, performed investment and commercial banking or financial advisory services for us, for which they have received customary fees and commissions, and they expect to provide these services to us and our affiliates in the future, for which they also expect to receive customary fees and commissions.

In the ordinary course of their various business activities, the Placement Agents and certain of their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the issuer or its affiliates. If the Placement Agents or their affiliates have a lending relationship with us, certain of the Placement Agents or their affiliates may hedge their credit exposure to us consistent with their customary risk management policies. Typically, the Placement Agents and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short position in our securities or the securities of our affiliates, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The Placement Agents and certain of their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions ins such securities and instruments.

United States

Each Placement Agent subscribing for or purchasing notes will be required to represent and agree (i) that it will not offer or sell notes (a) as part of its distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Placement Agent or, in the case of an issue of notes on a syndicated basis, the relevant lead manager, of all notes of the tranche of which such notes are a part (such period, the "**Distribution Compliance Period**"), within the United States or to, or for the account or benefit of, U.S. persons other than in accordance with Rule 144A and (ii) that it will send to each dealer to which it sells any 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.

United Kingdom

Each Placement Agent subscribing for or purchasing notes agrees and each further placement agent appointed under the medium-term note program described in this Base Prospectus that subscribes for or purchases notes will be required to represent and agree that:

(1) it has complied and will comply with all applicable provisions of the UK Financial Services and Markets Act 2000, as amended (the "**FSMA**"), with respect to anything done by it in relation to any notes in, from or otherwise, involving the UK; and

(2) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the notes in circumstances in which section 21(1) of the FSMA, as amended would not, if Nationwide was not an authorized person, apply to Nationwide.

Prohibition of sales to EEA retail investors

Unless the Final Terms in respect of any notes specifies "*Prohibition of sales to EEA retail investors*" as "*Not Applicable*", each Placement Agent has represented and agreed, and each further placement agent appointed under the medium-term note program described in this Base Prospectus will be required to represent and agree,

that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(1) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(2) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(3) not a qualified investor as defined in Regulation (EU) 2017/1129; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes.

Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**EU PRIIPs Regulation**") for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

Prohibition of sales to UK retail investors

Unless the Final Terms in respect of any notes specifies "*Prohibition of sales to UK Retail Investors*" as "*Not Applicable*", each Placement Agent has represented and agreed, and each further placement agent appointed under the medium-term note program described in this Base Prospectus will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the UK. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(1) a retail client 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;

(2) a customer within the meaning of the provisions of FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of EUWA; or

(3) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes.

Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Australia

This Base Prospectus and offers of notes are only made available in Australia to persons to whom a disclosure document such as a prospectus or product disclosure statement is not required to be given under either Chapter 6D or Part 7.9 of the Australian Corporations Act 2001 (Cth) (the Australian Corporations Act). This document is not a prospectus, product disclosure or any other form of formal "disclosure document" for the purposes of Australian law, and is not required to, and does not, contain all the information which would be required in a product disclosure statement or prospectus under Australian law. No prospectus or other disclosure document (as defined in the Australian Corporations Act) in relation to the medium-term note program described in this Base Prospectus or any notes has been, or will be, lodged with the Australian Securities and Investments Commission (ASIC), or the ASX Limited or any other regulatory body or agency in Australia. The persons referred to in this document may not hold Australian financial services licenses and may not be licensed to provide financial product advice in relation to the securities. No cooling off regime applies to an acquisition of the notes. In no circumstances is this document to be used by a "retail client" (for the purposes of the Australian Corporations Act) for the purposes of making a decision about a financial product.

This Base Prospectus contains general advice only and does not take into account the investment objectives, financial situations or needs of any particular person.

Each purchaser of notes (other than a Placement Agent in connection with the initial issuance and sale of notes) and each owner of any beneficial interest therein, will be deemed, by its acceptance or purchase thereof, to have represented and agreed that, unless the relevant Final Terms (or a relevant supplement to this Base Prospectus) otherwise provides, it:

(a) has not made or invited, and will not make or invite, an offer of the notes for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, this Base Prospectus or any other offering material or advertisement relating to the notes in Australia,

unless:

A. the aggregate consideration payable by each offeree is at least A$500,000 (or its equivalent in an alternative currency, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation does not otherwise require disclosure to investors under Parts 6D.2 or 7.9 of the Australian Corporations Act;

B. the offer or invitation does not constitute an offer to a "retail client" for the purposes of section 761G and 761GA of the Australian Corporations Act;

C. such action complies with any applicable laws, regulations and directives (including without limitation, the licensing requirements set out in Chapter 7 of the Australian Corporations Act) in Australia; and

D. such action does not require any document to be lodged with ASIC.

There may be restrictions on the offer for re-sale of any notes in Australia for a period of 12 months after their issue. Because of these restrictions, investors are advised to consult legal counsel prior to making any offer for re-sale of any notes in Australia.

Canada

Each purchaser of notes (other than a Placement Agent in connection with the initial issuance and sale of notes) and each owner of any beneficial interest therein, will be deemed, by its acceptance or purchase thereof, to have represented and agreed that the notes may be sold only to purchasers in Canada purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus

Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Hong Kong

Each purchaser of notes (other than a Placement Agent in connection with the initial issuance and sale of notes) and each owner of any beneficial interest therein, will be deemed, by its acceptance or purchase thereof, to have represented and agreed that:

A. it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the SFO) other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the C(WUMP)O) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

B. it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the FIEA). Accordingly, each purchaser of notes (other than a Placement Agent in connection with the initial issuance and sale of notes) and each owner of any beneficial interest therein, will be deemed, by its acceptance or purchase thereof, to have represented and agreed that it has not and will not offer or sell any notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

Each purchaser of notes (other than a Placement Agent in connection with the initial issuance and sale of notes) and each owner of any beneficial interest therein, will be deemed, by its acceptance or purchase thereof, to have acknowledged that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each purchaser of notes (other than a Placement Agent in connection with the initial issuance and sale of notes) and each owner of any beneficial interest therein, will be deemed, by its acceptance or purchase thereof, to have represented 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, this Base Prospectus 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 2001 (2020 Revised Edition) 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 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:

A. to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;

B. where no consideration is or will be given for the transfer;

C. where the transfer is by operation of law;

D. as specified in Section 276(7) of the SFA; or

E. as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has, unless otherwise specified before an offer of notes, determined the classification of all notes to be issued under the medium-term note program described in this Base Prospectus as 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).

Switzerland

Each purchaser of notes (other than a Placement Agent in connection with the initial issuance and sale of notes) and each owner of any beneficial interest therein, will be deemed, by its acceptance or purchase thereof, to have represented and agreed that, except where explicitly permitted by the relevant Final Terms:

(i) except as set out below, it will not make a public offer of the notes, directly or indirectly, in Switzerland, as such terms are defined or interpreted under the Swiss Financial Services Act ("**FinSA**");

(ii) the notes will not be admitted by it to trading on a trading venue (exchange or multilateral trading facility) in Switzerland;

(iii) it will not offer, sell, advertise or distribute the notes, directly or indirectly, in Switzerland, as such terms are defined or interpreted under the FinSA, except to professional clients as such term is defined or interpreted under the FinSA (the "**Professional Investors**"); and

(iv) no key information document pursuant to article 58(1) FinSA (or any equivalent document under the FinSA) has been or will be prepared in relation to any Notes and, therefore, any notes

with a derivative character within the meaning of article 86(2) of the Swiss Financial Services Ordinance may not be offered or recommended to private clients within the meaning of the FinSA in Switzerland.

The notes may not be publicly offered, directly or indirectly, in Switzerland, except (i) to Professional Investors or (ii) in the case of notes, the Final Terms of which explicitly permit a public offer in Switzerland. Offering or marketing material relating to notes, the Final Terms of which do not explicitly permit a public offer in Switzerland, may not be distributed or otherwise made available in Switzerland, except to Professional Investors.

The notes shall not be admitted to trading on a trading venue (exchange or multilateral trading facility) in Switzerland except in the case of notes, the Final Terms of which explicitly provide for such an admission to trading in Switzerland.

The notes do not constitute participations in a collective investment scheme within the meaning of the Swiss Collective Investment Schemes Act ("**CISA**"). Therefore, the notes are not subject to the approval of, or supervision by, the Swiss Financial Market Supervisory Authority ("**FINMA**"), and investors in the notes will not benefit from protection under the CISA or supervision by FINMA.

SETTLEMENT

Unless otherwise agreed between the relevant Placement Agents and Nationwide, you must pay the purchase price of the notes in immediately available funds in the applicable specified currency in New York City five U.S. business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**")) after the trade date (such settlement cycle being referred to as "T+5"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the securities on the date of pricing or the next two succeeding business days will be required, by virtue of the fact that the securities initially will settle in T+5 to specify an alternative settlement cycle at the time of any such trade to prevent failed settlement. Purchasers of the securities who wish to make such trades should consult their own advisors.

INDEPENDENT AUDITORS

The financial statements as at April 4, 2023, 2022 and 2021, and for the years then ended, incorporated by reference in this Base Prospectus, have been audited by Ernst & Young LLP, independent auditors, as stated in their reports incorporated by reference herein.

LEGAL MATTERS

Certain legal matters will be passed upon for us by Allen & Overy LLP, our United States and English counsel, with respect to matters of New York law, U.S. federal law and English law and for the Placement Agents by Linklaters LLP, London, England with respect to matters of New York law, U.S. federal law and English law.

GENERAL INFORMATION

1. Our principal office is Nationwide House, Pipers Way, Swindon SN38 1NW, England.

2. The admission of the medium-term note program described in this Base Prospectus to trading on the main market of the London Stock Exchange is expected to take effect on or around July 1, 2023. The price of the notes on the price list of the London Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest). Any series of notes will be admitted to trading on the main market of the London Stock Exchange upon submission to the London Stock Exchange of the relevant Final Terms and any other information required by the London Stock Exchange, subject to the issue of the relevant notes. Prior to admission to trading, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day in New York after the day of the transaction, unless otherwise agreed between the relevant Placement Agents and Nationwide.

3. The Global Notes have been accepted for clearance through DTC or its nominees. If the Global Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the relevant Final Terms.

4. Any indication of yield given in any Final Terms will be calculated at the Issue Date for the relevant notes on the basis of the issue price. It is not an indication of future yield.

5. There are no governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened) of which Nationwide or its subsidiaries is aware in the 12 months preceding the date of this document which may have or have had in the recent past a significant effect on the financial position or profitability of Nationwide or its subsidiaries.

6. Since April 4, 2023, there has been no significant change in the financial performance or financial position of Nationwide and its subsidiaries. There has been no material adverse change in our prospects since April 4, 2023.

7. For so long as the medium-term note program described in this Base Prospectus remains in effect or any notes shall be outstanding, copies and, where appropriate, the following documents may be inspected at https://www.nationwide.co.uk/about/investor-relations/funding-programmes/us-mtn-programme:

   (a) our constitutive documents;

   (b) this Base Prospectus in relation to the senior and subordinated medium-term note program, together with any amendments;

   (c) the Private Placement Agency Agreement;

   (d) the Indenture;

   (e) our most recent publicly available audited consolidated financial statements beginning with such financial statements as of and for the years ended April 4, 2023, 2022 and 2021;

   (f) the audit report of EY in respect of our audited consolidated financial statements as of and for the year ended April 4, 2023; and

   (g) any Final Terms relating to notes issued under the medium-term note program described in this Base Prospectus.

8. There are no material contracts having been entered into outside the ordinary course of our business, and which could result in any group member being under an obligation or entitlement that is material to our ability to meet our obligation to noteholders in respect of the notes being issued.

9. Issue of notes under the medium-term note program described in this Base Prospectus have been authorized by resolutions of our Board of Directors passed on March 17, 2021 and minutes of delegation of our Chief Financial Officer dated April 14, 2021.

GLOSSARY OF FINANCIAL TERMS

Certain financial terminology used by building societies in the UK differs from that used by financial institutions in the United States. The following is a summary of such differences as they relate to our consolidated financial statements. We have used some of the following U.S. terms and descriptions throughout this Base Prospectus.

UK Term used in financial statements	U.S. equivalent or brief description
Accounts	Financial statements
Allotted	Issued
Amounts written off	Amounts charged off, or written-off
Cash in hand	Cash
Debt securities in issue	Debt
Fees and commissions payable	Fees and commissions expense
Fees and commissions receivable	Fees and commissions income
Freehold	Ownership with absolute rights in perpetuity
General reserve	Retained earnings
Income and Expenditure Account	Income Statement
Interest payable	Interest expense
Interest receivable	Interest income
Life assurance	Life insurance
Loans and advances	Loans or Lendings
Loans fully secured on residential property	Residential mortgage loans
Loans in arrears	Past due loans
Loans in repossession	Acquired property, foreclosed assets or Other Real Estate Owned
Loans with interest suspended	Loans in non-accrual status
Permanent interest bearing shares and subscribed capital	No direct U.S. equivalent
Profit	Income
Provisions for bad and doubtful debts (in the balance sheet)	Allowance for loan losses
Provisions for bad and doubtful debts (in the income statement)	Provisions for loan losses
Revaluation reserve	No direct U.S. equivalent
Shares (UK retail member deposits)	No direct U.S. equivalent
Tangible fixed assets	Property, Plant & Equipment or Fixed Assets

PRINCIPAL OFFICE OF THE ISSUER

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To the Placement Agents
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