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THE ATTACHED DOCUMENT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THE NOTES (THE “NOTES”) REFERENCED IN THE ATTACHED DOCUMENT MAY ONLY BE DISTRIBUTED IN “OFFSHORE TRANSACTIONS” TO PERSONS OTHER THAN U.S. PERSONS AS DEFINED IN, AND AS PERMITTED BY, THE US SECURITIES ACT OF 1933 (THE “SECURITIES ACT”). ANY FORWARDING, REDISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF NOTES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE NOTES MAY NOT BE OFFERED OR SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Confirmation of your Representation: In order to be eligible to view the attached document or make an investment decision with respect to the Notes, investors must comply with the following provisions. You have been sent the following document on the basis that you have confirmed to the Issuer and the Sole Manager named herein, being the senders of the attached document that you are a person that is (i) outside the United States (within the meaning of Regulation S under the Securities Act) and (ii) not a U.S. person (within the meaning of Regulation S under the Securities Act) nor are you purchasing for the account or benefit of a U.S. person and that you are (a) a relevant person (as defined below) if in the United Kingdom; or are (b) outside the United Kingdom (and the electronic mail address that you gave us and to which this e-mail has been delivered is not located in such jurisdictions). By accepting this e-mail and accessing the attached document, you shall be deemed to have made the above representation and to have consented to delivery of such document by electronic transmission.

In addition, in the United Kingdom, the attached document is being distributed only to and is directed only at: (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”); (b) high net worth entities falling within Article 49 of the Order; and (c) other persons to whom it may otherwise lawfully be communicated under the Order (all such persons together referred to as “**relevant persons**”). Any investment or investment activity to which the document relates is available only in the United Kingdom to relevant persons and will be engaged in only with such persons.

The attached document has been delivered to you on the basis that you are a person into whose possession this document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located.

Manufacturer target market (UK MiFIR product governance) is eligible counterparties and professional clients only (all distribution channels). No EEA or UK PRIIPs key information document has been prepared as the Notes will not be made available to retail investors in the European Economic Area or the United Kingdom.

Neither this electronic transmission nor the attached document constitutes or contains any offer to sell or invitation to subscribe or make commitments for or in respect of any notes in any jurisdiction where such an offer or invitation would be unlawful. The attached document has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Issuer, the Sole Manager, the Trustee, the Principal Paying Agent, the Registrar, the Transfer Agent, the Agent Bank, nor any person who controls any of them, nor any director, officer, employee or agent of any of them, nor any affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between this document distributed to you in electronic format and the hard copy version available to you on request from the Sole Manager.

To the fullest extent permitted by law, neither the Sole Manager nor any of its respective affiliates accepts any responsibility whatsoever for the contents of the attached document or for any statement made or purported to be made by any of them, or on any of their behalf, in connection with the Issuer or the offer. The Sole Manager and its respective affiliates accordingly disclaim all and any liability whether arising in tort, contract or otherwise which they might otherwise have in respect of such document or any such statement.

No representation or warranty, expressed or implied, is made or given by or on behalf of the Sole Manager, the Trustee, the Principal Paying Agent, the Registrar, the Transfer Agent, the Agent Bank, nor any person who controls any of them, nor any director, officer, employee or agent of any of them, nor any affiliate of any such person, as to the accuracy, completeness, verification, sufficiency of or fairness of the information or opinions contained in the attached document and such persons do not accept responsibility or liability for any such information or opinions.

ADMISSION PARTICULARS DATED 17 JUNE 2024



NEWCASTLE BUILDING SOCIETY

(Incorporated in England under the Building Societies Act 1986)

£20,000,000 12.250 per cent. Fixed Rate Reset Callable Subordinated Notes due 2034

Issue Price: 100.000 per cent.

The £20,000,000 12.250 per cent. Fixed Rate Reset Callable Subordinated Notes due 2034 (the "Notes") will be issued by Newcastle Building Society (the "Issuer" or the "Society") on 19 June 2024 (the "Issue Date").

The Notes will bear interest on their principal amount from (and including) the Issue Date to (but excluding) 19 September 2029 (the "Reset Date"), at a rate of 12.250 per cent. per annum and thereafter at the Reset Rate of Interest as provided in Condition 5. Save in relation to the short first Interest Period, interest will be payable on the Notes in equal instalments semi-annually in arrear on each Interest Payment Date, commencing on 19 September 2024.

The Notes will be issued on the Terms and Conditions set out under "Terms and Conditions of the Notes" (the "Conditions", and references to a numbered "Condition" should be read accordingly). Defined terms used herein and not otherwise defined have the meaning given to them in the Conditions.

Unless previously redeemed or purchased and cancelled or substituted in accordance with the Conditions, the Notes will mature on 19 September 2034. Noteholders will have no right to require the Issuer to redeem or purchase the Notes at any time. The Issuer may, in its discretion but subject to the conditions described in Condition 6(b), elect to (a) redeem all (but not some only) of the Notes at their principal amount, together with unpaid interest accrued to (but excluding) the redemption date: (i) at any time from and including 19 June 2029 to and including the Reset Date or (ii) at any time if a Tax Event has occurred or a Capital Disqualification Event (each as defined in Condition 19) has occurred or (b) repurchase the Notes at any time. If a Tax Event or a Capital Disqualification Event has occurred, then the Issuer may, subject to the conditions described in Condition 6(b), either substitute all (but not some only) of the Notes for, or vary the terms of the Notes so they remain or, as appropriate, become, Qualifying Tier 2 Securities.

The Notes will be direct, unsecured, unguaranteed and subordinated obligations of the Issuer, ranking *pari passu* and without preference amongst themselves. The Notes will, subject to the Insolvency Act, constitute Tertiary Non-Preferential Debt and will, in the event of the winding-up or dissolution of the Issuer (other than an Excluded Dissolution), be subordinated in right of payment in the manner provided in the Insolvency Act and the Trust Deed to all Senior Claims of the Issuer but shall rank at least *pari passu* with all other subordinated obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital of the Issuer.

The Notes are not intended to be offered, sold or otherwise made available and should not be offered, sold or otherwise made available to retail clients in the European Economic Area ("EEA") or in the United Kingdom (the "UK"). Prospective investors are referred to the sections headed "Prohibition of Sales to EEA Retail Investors" and "Prohibition of Sales to UK Retail Investors" on page ii of these Admission Particulars for further information. An investment in the Notes involves certain risks. Potential investors should read the whole of this document, in particular the section entitled "Risk Factors" set out on pages 7 to 43.

Application has been made to the London Stock Exchange plc (the "London Stock Exchange") for the Notes to be admitted to the London Stock Exchange's International Securities Market ("ISM"). References in these Admission Particulars to the Notes being "admitted to trading" (and all related references) shall mean that such Notes have been admitted to trading on the ISM. The ISM is not a UK regulated market for the purposes of Article 2(1)(13A) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA") ("UK MiFIR"). These Admission Particulars do not constitute a 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") and, in accordance with the UK Prospectus Regulation, no prospectus is required in connection with the issuance of the Notes.

The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the Financial Conduct Authority (the "FCA"). The London Stock Exchange has not approved or verified the contents of these Admission Particulars.

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

The Notes will not be rated on issue.

Sole Manager
Barclays

IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in these Admission Particulars and, having taken all reasonable care to ensure that such is the case, the information contained in these Admission Particulars is, to the best knowledge of the Issuer, in accordance with the facts and contains no omission likely to affect the import of such information.

These Admission Particulars are to be read in conjunction with all the documents which are incorporated herein by reference (see “*Information Incorporated by Reference*”). These Admission Particulars shall be read and construed on the basis that such documents are so incorporated and form part of these Admission Particulars.

To the fullest extent permitted by law, none of Barclays Bank PLC (the “**Sole Manager**”), the Principal Paying Agent, the Transfer Agent, and the Registrar and the Agent Bank (together the “**Agents**” and each an “**Agent**”) and Citibank, N.A., London Branch (the “**Trustee**”) or any of their respective affiliates accept any responsibility whatsoever for the contents of these Admission Particulars or for any other statement made or purported to be made by the Sole Manager, the Trustee or an Agent or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Sole Manager, the Trustee and each Agent (and each of their respective affiliates) accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of these Admission Particulars or any such statement.

Neither the Sole Manager, the Trustee, the Agents nor any of their respective affiliates have authorised the whole or any part of these Admission Particulars and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in these Admission Particulars or any responsibility for any acts or omissions of the Issuer or any other person (other than the Sole Manager, the Trustee or the relevant Agent itself) in connection with issue of the Notes.

These Admission Particulars do not constitute an offer of, or an invitation by or on behalf of the Issuer or the Sole Manager (or any of their respective affiliates) to subscribe or purchase, any of the Notes. The distribution of these Admission Particulars and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession these Admission Particulars come are required by the Issuer and the Sole Manager to inform themselves about and to observe any such restrictions.

No person is authorised to give any information or to make any representation not contained in these Admission Particulars and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Sole Manager, the Trustee or the Agents. Neither the delivery of these Admission Particulars nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which these Admission Particulars have been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which these Admission Particulars have been most recently amended or supplemented or that the information contained in them or any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither these Admission Particulars nor any financial statements nor any further information supplied pursuant to the terms of the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation, or constituting an invitation or offer, by or on behalf of either the Issuer, the Sole Manager, the Trustee or the Agents, that any recipient of these Admission Particulars or any financial statements or any further information supplied pursuant to the terms of the Notes should subscribe for or purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.

An investment in the Notes is not equivalent to an investment in a building society deposit. Although an investment in the Notes may give rise to higher yields than a building society deposit placed with a member of the Issuer or another member of the Group, an investment in the Notes carries risks which are very different from the risk profile of such deposit. Unlike a building society deposit, the Notes are transferrable. However, the Notes will have no established trading market when issued, and one may never develop.

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 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 the Markets in Financial Instruments Directive 2014/65/EU (as amended) (“**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**EU PRIIPs Regulation**”) for offering or selling the 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 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 Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR.

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.

UK MiFIR PRODUCT GOVERNANCE / Professional investors and ECPs only target market – Solely for the purposes of the 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, and professional clients, as defined in the 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 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 target market assessment) and determining appropriate distribution channels.

The Notes may not be suitable for all investors

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

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in these Admission Particulars;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Notes, and is familiar with the behaviour of any relevant indices and financial markets and with the resolution regime applicable to the Issuer and the Group, including the possibility that the Notes may become subject to write-down or conversion if the resolution powers are exercised;
- (v) is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and
- (vi) understands the accounting, legal, regulatory and tax implications of a purchase, holding and disposal of an interest in the relevant Notes.

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

The Notes have not been, and will not be, registered under the United States Securities Act 1933, as amended (the “**Securities Act**”). The Notes are being offered outside the United States (within the meaning of Regulation S under the Securities Act (“**Regulation S**”)) in accordance with Regulation S, and may not be offered or sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from the registration requirements of the Securities Act.

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

GENERAL

Unless otherwise specified or the context requires, references to “**sterling**”, “**GBP**” and “**£**” are to pounds sterling and references to “**€**”, “**EUR**” or “**euro**” are to the currency introduced at the start of the third stage of

European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended. Unless otherwise indicated, all monetary amounts in these Admission Particulars are expressed in pounds sterling which is the functional currency of the Issuer and all of its subsidiaries.

Unless otherwise specified or the context requires, references to “**Group**” shall mean the Issuer and its consolidated subsidiaries.

NON-IAS UK FINANCIAL MEASURES

The Issuer presents certain key performance measures that are not defined under UK adopted international accounting standards (“**IAS UK**”) but that it finds useful in analysing its results and that it believes are widely used by investors to monitor the results of banks and building societies generally. These measures include underlying profit before tax, net interest margin, cost to income ratio, common equity tier 1 ratio and total capital ratio. Some of these measures are defined by, and calculated in compliance with, applicable banking regulations, but these regulations often provide the Issuer with certain discretion in making its calculations.

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

ROUNDING

Certain numerical data, financial information and market data in these Admission Particulars have been rounded in accordance with commercial rounding. Unless otherwise indicated, percentage changes and ratios in the text and tables of these Admission Particulars are calculated based on the underlying numbers as presented in these Admission Particulars, i.e., after rounding of such underlying numbers, and then commercially rounded to a whole percentage or to one digit after the decimal point. In some instances, such rounded figures and percentages may not add up to 100 per cent. or to the totals or subtotals contained in these Admission Particulars. Furthermore, totals and subtotals in tables may differ slightly from unrounded figures contained in these Admission Particulars due to rounding in accordance with commercial rounding. A dash (“—”) signifies that the relevant figure is not available or equal to zero, while a zero (“0”) or nil signifies that the relevant figure has been rounded to zero.

MARKET AND INDUSTRY DATA

Unless the source is otherwise stated, the market and industry data in these Admission Particulars constitute the Issuer’s estimates, using underlying data from independent third parties. Such data includes market research, consultant surveys, publicly available information, reports of governmental agencies and industry publications and surveys.

The Issuer confirms that all third-party data contained in these Admission Particulars has been accurately reproduced and, so far as the Issuer is aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Where third-party information has been used in these Admission Particulars, the source of such information has been identified. While industry surveys, publications, consultant surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, the accuracy and completeness of such information is not guaranteed. The Issuer has not independently verified any of the data

obtained from third-party sources (whether identified in these Admission Particulars by source or used as a basis for the Issuer's beliefs and estimates), or any of the assumptions underlying such data.

NO INCORPORATION OF WEBSITE INFORMATION

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

FORWARD-LOOKING STATEMENTS

These Admission Particulars include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout these Admission Particulars and include, but are not limited to, statements regarding the intentions of the Issuer and beliefs or current expectations concerning, among other things, the business, results of operations, financial position and/or prospects of the Issuer.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the financial position and results of operations of the Group, and the development of the markets and the industries in which members of the Group operate, may differ materially from those described in, or suggested by, the forward-looking statements contained in these Admission Particulars. In addition, even if the Group's results of operations and financial position, and the development of the markets and the industries in which the Group operates, are consistent with the forward-looking statements contained in these Admission Particulars, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements. See "*Risk Factors*" below.

TABLE OF CONTENTS

	Page
INFORMATION INCORPORATED BY REFERENCE	1
OVERVIEW OF THE PRINCIPAL FEATURES OF THE NOTES	2
RISK FACTORS	7
TERMS AND CONDITIONS OF THE NOTES	44
NEWCASTLE BUILDING SOCIETY	66
SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL CERTIFICATE.....	86
USE OF PROCEEDS.....	90
TAXATION	91
SUBSCRIPTION AND SALE	93
GENERAL INFORMATION	95

INFORMATION INCORPORATED BY REFERENCE

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

- (i) the audited consolidated financial statements of the Issuer for the financial year ended 31 December 2023, together with the audit report thereon, as set out on pages 87 to 164 (inclusive) and 76 to 85 (inclusive), respectively, of the Issuer's annual report and accounts for the financial year ended 31 December 2023 (the "**2023 Financial Statements**") and the key performance indicators set out on page 19 of the Issuer's annual report and accounts for the financial year ended 31 December 2023;
- (ii) the audited consolidated financial statements of the Issuer for the financial year ended 31 December 2022, together with the audit report thereon, as set out on pages 82 to 154 (inclusive) and 73 to 79 (inclusive), respectively, of the Issuer's annual report and accounts for the financial year ended 31 December 2022 (the "**2022 Financial Statements**") and the key performance indicators set out on page 23 of the Issuer's annual report and accounts for the financial year ended 31 December 2022; and
- (iii) the Issuer's Pillar 3 disclosures (unaudited) for the year ended 31 December 2023, (together, the "**Information Incorporated by Reference**").

The Information Incorporated by Reference has been previously published or is published simultaneously with these Admission Particulars. Such information in those documents shall be incorporated in, and form part of, these Admission Particulars, save that any statement contained in any information which is incorporated by reference herein shall be modified or superseded for the purpose of these Admission Particulars to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of these Admission Particulars.

Those parts of the documents incorporated by reference in these Admission Particulars which are not specifically incorporated by reference in these Admission Particulars are either not relevant for prospective investors in the Notes or the relevant information is included elsewhere in these Admission Particulars. Any documents themselves incorporated by reference in the information incorporated by reference in these Admission Particulars shall not form part of these Admission Particulars.

Other than the Information Incorporated by Reference, none of the contents of the Issuer's website, any websites referred to in these Admission Particulars, nor any website directly or indirectly linked to these websites form part of these Admission Particulars.

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

Copies of the Information Incorporated by Reference may be obtained (without charge) from the Issuer's website at <https://www.newcastle.co.uk/media-centre/financial-results>.

OVERVIEW OF THE PRINCIPAL FEATURES OF THE NOTES

The following overview provides an overview of certain of the principal features of the Notes and is qualified by the more detailed information contained elsewhere in this Admission Particulars. Capitalised terms which are defined in the Terms and Conditions of the Notes (the “**Terms and Conditions of the Notes**”) have the same respective meanings when used in this overview. References to numbered Conditions are to the terms and conditions of the Notes (the “**Conditions**”) as set out under “*Terms and Conditions of the Notes*”.

Issuer	Newcastle Building Society
Issuer Legal Entity Identifier	549300T1JIP3LZ5TZ694
Trustee	Citibank, N.A., London Branch
Principal Paying Agent, Transfer Agent and Registrar	Citibank, N.A., London Branch
Notes	£20,000,000 12.250 per cent. Fixed Rate Reset Callable Subordinated Notes due 2034.
Risk factors	There are certain factors that may affect the Issuer’s ability to fulfil its obligations under the Notes and the Trust Deed. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Notes and certain risks relating to the structure of the Notes. These are set out under “ <i>Risk Factors</i> ”.
Status of the Notes	The Notes will constitute direct, unsecured, unguaranteed and subordinated obligations of the Issuer and will rank <i>pari passu</i> , without any preference, among themselves.
Rights on a winding-up	The rights and claims of Noteholders in the event of a winding-up of the Issuer are described in Conditions 3 and 4.
Interest	<p>The Notes will bear interest on their principal amount:</p> <p>(a) from (and including) the Issue Date to (but excluding) the Reset Date, at the rate of 12.250 per cent. per annum; and</p> <p>(b) thereafter, at the Reset Rate of Interest (as described in Condition 5(d)),</p> <p>in each case payable, in equal instalments semi-annually in arrear on 19 March and 19 September in each year (each, an “Interest Payment Date”), commencing 19 September 2024, save that the first payment of interest to be made on 19 September 2024 shall be in respect of the period from (and including) the Issue Date to (but excluding) 19 September 2024.</p>
Maturity	Unless previously redeemed or purchased and cancelled or substituted, the Notes will mature on 19 September 2034. The Notes may only be redeemed or repurchased by the Issuer in the circumstances described below (as more fully described in Condition 6).
Optional redemption	The Issuer may, in its sole discretion but subject to the conditions set out under “ <i>Conditions to redemption</i> ” below, redeem all (but not some only) of the Notes from and including 19 June 2029 to

and including 19 September 2029 (the “**Reset Date**”) at their principal amount together with any unpaid interest accrued up to but excluding the date fixed for redemption.

Redemption following a Capital Disqualification Event or a Tax Event

The Issuer may, in its sole discretion but subject to the conditions set out under “*Conditions to redemption, substitution, variation and purchase*” below, redeem all (but not some only) of the Notes at any time following the occurrence of a Capital Disqualification Event or a Tax Event, in each case at their principal amount together with unpaid interest accrued to but excluding the relevant redemption date, subject to, in the case of a redemption occurring prior to the fifth anniversary of the Reference Date, the Issuer demonstrating to the satisfaction of the Competent Authority that (i) in the case of a Tax Event, the relevant Tax Law Change is material and was not reasonably foreseeable as at the Reference Date or (ii) in the case of a Capital Disqualification Event, the relevant change in regulatory classification was not reasonably foreseeable as at the Reference Date.

Substitution or Variation following a Capital Disqualification Event or a Tax Event

The Issuer may, subject to the conditions set out under “*Conditions to redemption substitution, variation and purchase*” below and upon notice to Noteholders, at any time elect to substitute all (and not some only) of the Notes for, or vary the terms of the Notes so that they remain or become (as applicable), Qualifying Tier 2 Securities if, prior to the giving of the relevant notice to Noteholders, a Tax Event or Capital Disqualification Event has occurred.

Conditions to redemption, substitution, variation and purchase

Any redemption or purchase of the Notes prior to their maturity or any substitution or variation of the Notes will be subject to:

- (i) the Issuer obtaining prior Supervisory Permission therefor;
- (ii) in the case of any redemption or purchase (other than any purchase prior to the fifth anniversary of the Reference Date pursuant to Condition 6(g)), if and to the extent required under prevailing Regulatory Capital Requirements, either: (A) the Issuer having replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or (B) the Issuer having demonstrated to the satisfaction of the Competent Authority that the own funds and, as applicable, eligible liabilities of the Issuer would, following such redemption or purchase, exceed its minimum applicable capital requirements (including any applicable buffer requirements) by a margin (calculated in accordance with prevailing Regulatory Capital Requirements) that the Competent Authority considers necessary at such time;
- (iii) in the case of any redemption prior to the fifth anniversary of the Reference Date, if and to the extent then required

under prevailing Regulatory Capital Requirements in the case of redemption upon a Tax Event, the Issuer having demonstrated to the satisfaction of the Competent Authority that the applicable change in tax treatment is material and was not reasonably foreseeable as at the Reference Date;

- (iv) in the case of any redemption prior to the fifth anniversary of the Reference Date upon the occurrence of a Capital Disqualification Event, the Issuer having demonstrated to the satisfaction of the Competent Authority that the relevant change in the regulatory classification of the Notes was not reasonably foreseeable as at the Reference Date; and
- (v) in the case of any purchase prior to the fifth anniversary of the Reference Date pursuant to Condition 6(g), either (A) the Issuer having, before or at the same time as such purchase, replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer, and the Competent Authority having permitted such action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances or (B) the relevant Notes are being purchased for market-making purposes in accordance with applicable Regulatory Capital Requirements.

Any refusal by the Competent Authority to give its Supervisory Permission as contemplated above shall not constitute a default for any purpose.

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

Purchase of the Notes

The Issuer may, at its option but subject to the conditions set out under “*Conditions to redemption, substitution, variation and purchase*” above, purchase (or otherwise acquire) any of the outstanding Notes in any manner and at any price. All Notes purchased by or on behalf of the Issuer may be held, reissued, resold or, at the option of the Issuer, cancelled.

Withholding tax and Additional Amounts

All payments by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdiction, unless the withholding or deduction is required by law. In that

event, in respect of payments of interest (but not principal or any other amount), the Issuer will (subject to certain customary exceptions, as described in Condition 9) pay such Additional Amounts as may be necessary in order that the net amounts received by the Noteholders in respect of those payments of interest after the withholding or deduction shall equal the amounts which would have been received by them in respect of payments of interest on the Notes had no such withholding or deduction been required.

In no event will the Issuer be required to pay any Additional Amounts in respect of the Notes for, or on account of, any FATCA Withholding (as defined in Condition 9).

Enforcement

If the Issuer has not made payment of any amount in respect of the Notes for a period of seven days or more (in the case of principal) or 14 days or more (in the case of interest) after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed and the Notes and, unless proceedings for a winding-up have already commenced, the Trustee may institute proceedings for a winding-up. The Trustee may prove and/or claim in any winding-up of the Issuer (whether or not instituted by the Trustee) and shall have such claim in respect of each Note for (in lieu of any other payment by the Issuer) an amount equal to the principal amount of the relevant Note, together with, to the extent not otherwise included within the foregoing, any other amounts attributable to such Note, including any accrued and unpaid interest thereon and any damages awarded for breach of any obligations in respect thereof.

The Trustee may, at its discretion and without notice, institute such steps, actions or proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed (other than any payment obligation, including any damages) 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 Conditions or the Trust Deed. No Noteholder shall be entitled to proceed directly against the Issuer or to institute proceedings for a winding-up unless the Trustee, having become bound so to do, fails or is unable to do so within a period of 60 days and such failure or inability shall be continuing.

See Condition 8 for further information.

Modification

The Trust Deed will contain provisions for convening meetings of Noteholders (including by way of audio and/or video conference call) to consider any matter affecting their interests, pursuant to which defined majorities of the Noteholders may consent to the modification or abrogation of any of the

Conditions or any of the provisions of the Trust Deed, and any such modification or abrogation shall be binding on all Noteholders.

Substitution of the Issuer

The Trustee may, without the consent of the Noteholders but subject to the Issuer having obtained any requisite Supervisory Permission therefor, agree to the substitution in place of the Issuer as the principal debtor under the Notes and the Trust Deed of certain entities subject to the Trustee being satisfied that such substitution will not be materially prejudicial to the interests of the Noteholders and certain other conditions set out in the Trust Deed being complied with.

Form

The Notes will be issued in registered form. The Notes will initially be represented by a Global Certificate and will be registered in the name of a nominee of a common depository for the Clearing Systems.

Denomination

£100,000 and integral multiples of £1,000 in excess thereof.

Clearing systems

Euroclear and Clearstream, Luxembourg.

Rating

The Notes will not be rated.

Listing

Application has been made to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange's International Securities Market with effect from the Issue Date.

Governing law

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

ISIN

XS2675723139

Common Code

267572313

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur. The Issuer believes that the factors described below or otherwise incorporated by reference herein represent the principal risks inherent in investing in the Notes, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive.

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

Prospective investors should also read the detailed information set out elsewhere in these Admission Particulars and reach their own views prior to making any investment decision.

Words and expressions defined in "Terms and Conditions of the Notes" below shall have the same meanings in this Risk Factors section.

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME

Risks related to the Issuer's business, financial condition and financial performance

The Group is subject to risks arising from macro-economic conditions in the UK or globally

The Group's business is directly and indirectly subject to inherent risks arising from macro-economic conditions in the UK. In particular, levels of retail borrowing are heavily dependent on consumer confidence, the UK property and mortgage market, wage and employment trends, the level of inflation, including energy price inflation, adverse cost of living, customer demographics, market interest rates and the broader state of the UK economy.

As the Group's customers are predominantly based in the UK, it will be significantly exposed to the condition of the UK economy. In particular, factors such as UK house prices, levels of employment, inflation, interest rates and change in consumers' disposable income can each have a material impact on customers. Should macro-economic conditions in the UK deteriorate or should there be uncertainty and/or volatility in relation to these factors, this could adversely impact the Group's business, results of operations, financial condition and prospects.

The Group's operations are focused in its core regions in the UK, which includes Scotland. These operations could be adversely affected by a lack of legal harmonisation across the UK, including through the further devolution of powers to the Scottish Parliament. For example, differences in regulatory regimes or differing tax legislation between Scotland and England may result in additional compliance and other costs for the Group or adversely impact the financial performance and prospects of its customers. Following a pro-independence majority in the Scottish parliamentary elections in May 2021, a referendum on Scottish independence which results in Scotland leaving the UK may exacerbate these issues and impact the Group's associated costs, business, results of operations, financial condition and prospects.

In addition, changes in global economic conditions or circumstances (in particular in the Eurozone) may have secondary consequences that adversely impact the Group's results of operations and financial condition.

The evolution of the geo-political environment including the conflicts in Ukraine and the Middle East, adverse changes in global growth, a further slowdown in the UK's principal export markets and continued uncertainties around the ongoing impact of the UK's withdrawal from the European Union (the "EU") may affect the future performance of the UK economy. This could subsequently affect the banking industry and may have a material impact on the business performance of the Group.

The extent to which any individual event or a combination of these events will have an impact on the performance of the economy will evolve over the medium term.

The historical results of operations and financial condition of the Group have been, and future results of operations and financial condition are likely to continue to be, affected by these factors which, should they have an adverse effect on consumer confidence, spending or demand for credit, could have a material adverse effect on the Group's business, capital position, financial condition, results of operations and prospects.

The Group's results may be adversely affected by the impacts of inflation and cost of living pressures

The widespread and rapid increase in the cost of living across the UK has the potential to significantly impact the short to medium term performance of the Group's credit exposures. In the current environment, with high inflation, a lag in wage growth and rising costs for business and retail customers alike (including the increasing pressure this places on customers' resilience and debt affordability), the Group considers that this could have an adverse effect on the Group's results, business, operations and financial condition.

The Group's customers and business activities are predominantly based in the UK. Its operating results, financial performance and prospects are largely driven by the UK residential mortgage and savings markets, which in turn are driven by the prevailing economic conditions in the UK and the economic confidence of borrowers and savers. Recent base rate increases by the Bank of England, concerns over energy and commodity prices, and the effects of higher inflation, will continue to have an impact on household incomes and all of which have cumulatively resulted in a significant level of uncertainty in the Group's operating environment and market conditions.

Such market volatility could result in reduced demand for the Group's products, resulting in a material adverse impact on the Group's business growth, and also lead to the existing customers being unable to meet their financial obligations, thereby increasing customer defaults, which in turn could lead to material arrears, credit losses and impairments. There is also a risk to the Group's portfolio growth aspirations should consumer confidence deteriorate, or affordability pressures heighten, which could negatively impact the Group's performance.

Although the Group is working to support customers during the increases in cost of living, additional capital may be required by the Group to absorb the heightened levels of credit risk and any increase in impairment levels over time as a result of the current cost of living crisis, which could have a material adverse impact on the Group's business and financial condition.

Concentration of credit risk could increase the Issuer's potential for significant losses

Substantially all of the Group's assets and business is related to customers in the UK. The UK residential mortgage market performance may also be subject to concentration risks within certain regions as each geographic region within the UK has different economic features and prospects. Any downturn in a local economy or particular industry may adversely affect the future regional employment levels and consequently the repayment ability of borrowers in respect of mortgages or other loans in a region that relies to a greater extent on that industry. In the event of adverse economic conditions, including interest rates and levels of unemployment, in regions within the UK where the Group has significant business or assets, concentrations of credit risk could cause it to experience greater losses than some competitors.

The Group cannot predict when or where such regional economic declines may occur or to what extent or for how long such conditions may continue.

In addition, any natural disasters or widespread health crises or the fear of such crises in a particular region may weaken economic conditions and reduce the value of affected mortgaged properties and/or negatively impact the ability of affected borrowers to make timely payments on mortgage loans. This may result in a loss being incurred upon the sale of the property and/or otherwise affect receipts on mortgage loans.

Borrowers' ability to make payments in respect of buy-to-let loans is likely to depend on the borrowers' ability to let the relevant properties on appropriate terms. This may be affected by the condition of the private residential rental market in the UK. The condition of the market will influence both the ability of the borrowers to find tenants and the level of rental income which may be achieved in letting. There have been various tax related changes to UK legislation in recent years which may affect the ability of borrowers to repay their buy-to-let loans due to the increased tax costs associated with buy-to-let mortgages. There has also been the introduction of energy efficiency regulations related to the energy performance of relevant domestic rental property. There may also be further legislative changes in the future, such as broader rent control or proposals for a fairer private residential rental sector, which may impact individual borrowers of buy-to-let loans to meet their obligations under those loans which may in turn adversely affect the ability of the Issuer to make repayments on the Notes.

The Group will continue to be adversely affected by the economic and social impact of UK Government and Bank of England policies

The outlook for the UK economy is uncertain, particularly in the short and medium term and geopolitical tensions, prolonged inflation and higher interest rate risks may lead to increased market volatility and economic uncertainty for the Group and its customers.

Interest rates, which are impacted by factors outside of the Group's control, including the fiscal and monetary policies of governments and central banks, can adversely affect cost and availability of funding, impairment levels and net interest income and margins. If the Group is unable to manage its exposure to interest rate volatility, whether through hedging, product pricing, monitoring of borrower credit quality or other means, such volatility could have a material adverse effect on its business, financial condition, results of operations and prospects.

After more than a decade of an accommodative monetary policy of ultra-low interest rates and quantitative easing to support the recovery, the UK is now in a period of tightening policy. The Bank of England has to balance the risks related to higher interest rates combined with quantitative easing to bring inflation under control without derailing further economic recovery and this has seen the Bank of England increase interest rates from historical lows for the UK. At the date of these Admission Particulars, the Bank of England's base rate is 5.25 per cent., having been raised a significant number of times from 0.10 per cent in November 2021 to 5.25 per cent. in August 2023.

Typically, it takes 18 to 24 months for higher rates to impact the economy as changes in the Bank of England's base rate do not affect economic activity directly. Instead, the effect on the real economy (households and firms) comes via their impact on four channels: market interest rates, asset prices, expectations/confidence and the exchange rate. These changes in financial conditions and economic sentiment then affect the real economy. For example, higher longer-term rates raise household and business borrowing costs, which weaken consumer spending, business investment and residential investment, while a stronger pound boosts imports and reduces exports.

Some channels are currently very responsive to changes in interest rates, such as new housing activity. Higher interest rates have a much slower influence on outstanding debt. Floating-rate mortgages accounted for 71 per

cent. of all mortgages in 2012 but that is now markedly different. In 2023, 89 per cent. of gross lending in the mortgage market was on a fixed rate (with five year fixed rate accounting for just over half), followed by base rate trackers which accounted for 8.5 per cent. (*source: Mortgage Clarity: 2023 total gross lending*), indicating borrowers have tended to lock in for longer terms than previously seen. Therefore, the impact on homeowners refinancing will be staggered. An increase in interest rates, without a comparable increase in customer income or business revenues and profits, could lead to an increase in default rates among customers who can no longer afford their repayments, in turn leading to increased impairment charges and lower profitability for the Group.

Interest rates also affect the cost and availability of the principal sources of the Group's funding, which is largely provided by customer deposits supported by a small amount of wholesale market funding. The sustained low interest rate environment in recent years has reduced incentives for consumers to save. However, interest rates have started to rise in response to increased inflationary pressures and as interest rates increase, customers may increase their deposit balances in higher rate products, which could result in increased interest expense for the Group.

Despite central government support schemes (such as furlough and payment deferral schemes) tapering through 2021 and more recently, the introduction of the 'Mortgage Charter' in 2023 (being a set of commitments signed by the UK Government, the FCA and the Society (amongst others) which introduces extra measures of support for those experiencing mortgage payment difficulties), the pressure of sustained inflationary costs and increased mortgage interest rates experienced through 2022, 2023 and into 2024 could continue to have adverse effects on household disposable income. There remains a risk that the additional cost associated with the maturity of fixed rate mortgage terms, the transition to higher interest rates from historically low rates over a sustained period, coupled with sustained inflationary costs which are not matched by wage growth, could have the cumulative effect of placing increased pressure on the ability of households to maintain monthly mortgage payments.

These pressures on households may lead to an increase in arrears in the Group's residential mortgage book, and an associated increase in retail impairment. There can be no assurance that the Group will not have to increase its provisions for loan losses in the future as a result of increases in non-performing loans and/or for other reasons beyond its control. Material increases in the Group's provisions for loan losses and write-offs/charge-offs could have an adverse effect on the Group's operating results, financial condition and prospects.

The Group's (in particular, the Issuer and Newcastle Strategic Solutions Limited ("NSSL")) operating results, financial condition and prospects, may also be adversely impacted, directly or indirectly from the Issuer's support for the Mortgage Charter or from any future widening of regulatory or government intervention measures, affecting it and its affected customers, such as, but not restricted to, introduction of codes of conduct or rules in respect of savings or mortgage rates, transitional measures regarding climate change, measures impacting customer behaviour or the private rental market or any other measures that could negatively impact the business models of the Group (in particular, of the Issuer or NSSL).

Additionally, the Issuer's support of the Mortgage Charter and associated forbearance options available to borrowers thereunder (such as temporarily switching to interest only payments or extension of a mortgage term to reduce monthly repayments), which could fall outside of the Issuer's original loan underwriting approval, may delay or mask underlying credit performance which could ultimately have a negative impact the Group's operating results, financial condition and prospects.

The Issuer will be subject to risks related to UK house prices

The Issuer's primary activity is providing banking services to retail customers, including mortgage lending in the UK secured against residential property. The value of that security is influenced by UK house prices. A substantial proportion of the Group's net interest income is derived from interest paid on its mortgage portfolio.

Any deterioration in the quality of the Issuer's mortgage portfolio could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Historically, downturns in the UK economy have had a negative effect on the UK housing market. A fall in property prices could result in borrowers having insufficient equity to refinance their mortgage loans or being unable to sell the mortgaged property at a price sufficient to repay the amounts outstanding on the mortgage loan, which could lead to an increase in customer defaults. Increased defaults could lead to higher impairment provisions and losses being incurred by the Issuer. Higher impairment provisions could reduce its capital and its ability to engage in lending and other income-generating activities. As a result, any decline in house prices could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, a significant increase in house prices could have a negative impact on the Issuer by reducing the affordability of homes for first-time buyers or those looking to purchase more expensive properties and, if such increases were to result in a decrease in the number of customers that could afford to purchase houses, a reduction in demand for new mortgages.

Sustained volatility in UK house prices could also discourage potential homebuyers from committing to a purchase, thereby limiting the Issuer's ability to grow its mortgage portfolio in the UK.

Borrowers of buy-to-let mortgages have benefited in recent years from a combination of low interest rates, rising house prices and increasing rents. The rising interest rate environment has placed pressure on the buy-to-let market with landlords less able to meet regulatory affordability hurdles for the increased interest payments required for new mortgages. This may lead to a reduction in buy-to-let income for the Group, but may also lead to a decrease in asset quality as investors look to purchase lower quality assets with better returns, but with a lower quality of tenant. If rental rates were to decrease or remain stagnant, interest rates were to increase, further tax changes were to reduce the post-tax return on buy-to-let investments and/or the economy were to weaken and place pressure on employment, consumer incomes and/or house prices, the credit performance of the Issuer's buy-to-let mortgage book could deteriorate, which in turn could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is exposed to risks relating to the supply and affordability of property in the UK

The Issuer's owner-occupied and buy-to-let mortgage lending is and will be dependent on a number of factors related to the supply and affordability of property in the UK.

The Prudential Regulation Authority (the "PRA") rules and the FCA guidance limit the volume of new mortgage lending for owner-occupied housing for loans with a loan-to-income ratio of over 4.5 times to no more than 15 per cent. of new loans. For the Issuer to maintain and grow its mortgage portfolio, the prices of new and existing properties must be at levels, relative to the income of purchasers, to allow them to borrow within the parameters of these regulatory restrictions on lending. If house prices are at too high a multiple of customer income, whether as a result of rising house prices and/or low customer income growth, potential customers will be unable to borrow, and the supply of mortgages will decrease.

The Issuer's owner-occupied mortgage lending requires a supply of newly built or developed property coming to the market that relies on mortgage lending for financing, as well as transaction volumes within the market for existing property being at a sufficiently high level to support a profitable level of owner-occupied mortgage lending. A decrease in housing transaction volumes could lead to a reduction in demand for owner-occupied mortgages and a fall in related mortgage revenues, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Average house prices in the UK have generally been on an upward trend since February 2009 and, in particular, surged during the Government's stamp duty holiday in 2020 and 2021. However, if UK average house prices

were to follow a falling trend or if house prices in a number of UK regions that the Issuer has more significant exposure follow a falling trend, this may result in an increase in the Issuer's residential mortgage loan impairment charges as the value of the security underlying its mortgage loans is eroded.

Higher impairment charges could reduce the Group's profitability, capital and its ability to engage in lending and other income generating activities and, therefore, could have a material adverse effect on the Group's business and potentially on its ability to implement its medium-term growth strategy.

The Group is exposed to the risk of customers who have interest-only owner-occupied mortgage loans are unable to repay their loans in full at maturity

The Issuer provides mortgages to customers to enable them to purchase property for owner occupation. Such mortgages may be provided on a capital repayment basis, where the loan is repaid during its life, or on an interest-only basis, in which case the customer pays interest during the term of the mortgage loan with the principal balance being required to be repaid in full at maturity. In respect of owner-occupied interest-only mortgage customers, assessments of capital repayment strategies may be incomplete or out-of-date and consequently, the Group may lack information to accurately evaluate the related repayment risk. As a result, it may have reduced visibility of future repayment issues in respect of its interest-only residential mortgages, which could limit the Group's ability to estimate and establish provisions to cover exposures resulting from these mortgages.

While property sale is an acceptable method of repayment for buy-to-let mortgages, owner-occupied mortgage customers taking out interest-only mortgages are required by regulation to have capital repayment strategies. Where such repayment strategies are inadequate or have not been executed as planned, the Group is exposed to the risk that the outstanding principal balance on interest-only loans for owner-occupied mortgages is not repaid in full at the contractual maturity date. The Group provides a variety of solutions to support customers in such instances, but these solutions may not always result in customers being able to repay their loans or to continue to service the interest payments where the capital sum remains outstanding. Where the solutions are unsuccessful there may be increased impairment charges on the Issuer's owner-occupied mortgage portfolio which could have a material adverse effect on its profitability and, therefore, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. The risk increases if, at the maturity of the loan, the customer is no longer in paid employment and is relying on reduced sources of income, such as pension income or unemployment benefits, to continue to meet the loan interest payments and agreed capital repayments.

The Group faces risks associated with the implementation of its medium-term growth strategy

(a) Risks associated with the Issuer's strategy to drive growth in its loan portfolio and deposit base

The Group's operating environment is expected to remain highly competitive, and further increases in competition would increase the level of business risk for the Group. A significant reduction in the demand for the Group's products and services could negatively impact the Group's business and financial condition.

Factors such as the entry of new participants, surplus liquidity from the ring-fencing of retail banks, the impact of both Covid-19 and the cost of living crisis and new technological developments have led to increased market volatility in recent years and may have an impact on the ability of the Group to maintain or grow its market share. A high interest rate environment may also reduce demand for mortgages generally, as individuals and business customers may be less likely or less able to borrow when interest rates are high.

Since September 2022, mortgage rates rose significantly (initially due to the mini-budget delivered by the UK Government) leading to a drop in market size in 2023. While the market has stabilised in early 2024, market size still remains below recent year's averages across both residential and buy-to-let lending. Negative house

price inflation exhibited since the mini-budget delivered by the UK Government in September 2022 has also slightly reduced the availability of mortgages for borrowers with higher loan-to-value ratios.

The activities of challenger banks and fintech firms, as well as rapidly accelerating digital transformation of direct competitors, continues to gather momentum which could increase the risk of the Issuer failing to attract depositors and borrowers. The Issuer is actively pursuing a strategy of product and service differentiation across both its assets and liabilities to mitigate the impact of increased price competition across retail markets. However, there can be no assurance that the Issuer will be able to continue to attract the necessary retail and wholesale funding, and volumes of mortgage originations, required to maintain and grow its business.

In seeking to grow its mortgage book, the Issuer is susceptible to the risk of reduced asset quality and increased impairment losses in its customer loan portfolio due to it broadening its target market or loosening its underwriting or lending criteria in order to attract additional customers, or applying a broader interpretation of existing underwriting or lending criteria. The Issuer is also subject to the risk of increased competition, including competition based on price, in seeking to grow its customer loan portfolio, which could adversely affect the Group's net interest margin and returns. Furthermore, banks seeking growth through increased lending volumes may also incur higher impairments and increased conduct risks, in particular those relating to the mis-selling of products or lending that is deemed irresponsible and/or services that are either poorly matched with, or superfluous to, customer needs. If the Issuer fails to manage these risks adequately, it could result in legal or regulatory action against the Issuer, reputational damage to its brand and adverse impacts on the implementation of its medium-term growth strategy.

The Issuer's continued ability to maintain and grow its customer loan portfolio depends on continued access to customer deposits and other sources of funding in quantities sufficient to finance and refinance the portfolio at costs that the Group considers to be commercially acceptable. A key component of the Group's medium-term growth strategy is to grow its retail and business deposits and diversify its wholesale market funding in order to fund the growth of its business and maintain the loans-to-customer deposits ratio ("**LDR**") at its targeted level. Access to customer deposits is subject to competition and market factors that are outside of the Group's control, and accordingly it may need to increase the interest rates it offers to customers in order to attract deposits, which may result in increased interest expense, reduced net interest income and reduced net interest margin. The Issuer may not be able to obtain and maintain access to sufficient customer deposits, or other sources of funding at costs which are commercially acceptable, to finance its planned medium-term growth.

(b) Execution and other risks associated with the Group's medium-term growth strategy

The Group's ability to implement its medium-term growth strategy and any future strategy successfully is subject to execution risks, including those relating to the management of its cost base and limitations in its management and operational capacity. The implementation of its medium-term growth strategy will require management to make complex judgements, including anticipating customer needs and customer behaviour across a wide range of retail and products, and anticipating competitor activity, legal and regulatory changes and the likely direction of a number of macro-economic factors regarding the UK economy and the retail and business banking sector. In addition, the Group may fail to achieve management's guidance, targets or expectations in respect of the Group's net interest margin, operating and administrative expenses, return on equity, growth in mortgage lending, growth in mortgage market share, or in the development of the Group's asset quality, cost-to-income, common equity tier 1 ("**CET1**") capital and/or LDR, or other financial or key performance indicators.

The risk that some or all of these targets and expectations may fail to be achieved may be a consequence of internal factors such as a failure to effectively manage its cost base. The risk may also be exacerbated or caused by a number of external factors, including a downturn in the UK, European or global economy, increased competition in the UK retail banking sector and/or significant or unexpected changes in the regulation of the

financial services sector in the UK or Europe. A failure to successfully manage the implementation of its medium-term growth strategy for the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

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

Given the high level of interdependence between financial institutions, the Group is and will continue to be subject to the risk of 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. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by the Issuer 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, other building societies, securities firms and exchanges with whom the Group interacts on a daily basis. Systemic risk could have a material adverse effect on the Group's ability to raise new funding, retain existing funding and on its business, financial condition, results of operations, liquidity and/or prospects.

The Group routinely executes transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks and other institutional counterparties, resulting in large daily settlement amounts that may give rise to significant credit exposure. In particular, the Group interacts with these financial institutions through a variety of interbank electronic payments systems that underpin clearing and settlement amongst financial institutions. As a result, the Group faces concentration risk with respect to specific counterparties including payment system participants and operators. In addition, the Group has counterparty and operational risk with LCH Limited which acts as a clearing provider, on an arm's-length basis, for central clearing of derivative transactions. A default by, or concerns about, the creditworthiness of counterparties or one or more other financial services institutions could therefore have a material adverse effect on the Group's ability to raise new funding, financial condition, results of operations, liquidity or business prospects.

Failure by the Group to manage its market risk, may result in adverse effects to its business, financial condition and/or reputation

Market risk is the risk that the net value or income arising from the Group's assets and liabilities is impacted mainly as a result of market prices or changes in interest rates and foreign exchange rates. The most significant market risks the Group faces relate to interest rate risk. Interest rate risk can occur where there is a re-pricing mismatch risk where the value of, or income derived from, the Group's assets and liabilities changes unfavourably due to movements in interest rates. This risk arises from the different re-pricing characteristics of the Group's assets and liabilities. Interest rate risk can also occur due to basis risk which arises from possible changes in spreads where assets and liabilities re-price at the same time, but move in differing amounts causing unfavourable impacts to earnings.

On 1 July 2023, the Issuer acquired the engagements of Manchester Building Society by way of a merger under the Building Societies Act 1986 (the "Act"). The total assets acquired on transfer of engagement were approximately £162.2 million and this included euro denominated balances in relation to Spanish lifetime loans with a fair value of approximately £26.0 million. The acquisition of this portfolio introduces uncertainty and risk arising from the Spanish economy, foreign exchange rate volatility, Spanish property values and any

behavioural impacts in respect of Spanish lifetime mortgage borrowers. The operational risk in relation to the servicing of this loan book is limited.

Foreign exchange risk is where changes in currency rates (particularly 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 on the Group's balance sheet.

It is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on interest rates, foreign exchange risk, and the impact these could have the Group's financial performance and business operations.

The Group is subject to risks associated with customer and counterparty non-performance

Credit risk is the risk of financial loss arising from the failure of a customer or counterparty to meet contractual obligations as they fall due. Retail and commercial lending activities account for most of the Group's credit risk. The Group has exposures to many different products, counterparties and obligors of varying credit quality and other sources of credit risk include, but are not limited to, the holding of investments for liquidity purposes (including UK gilts), inter-bank transactions, derivative transactions entered into for hedging purposes, foreign exchange transactions and the settlement of transactions. A failure of one or more of the counterparties could have a significant adverse impact on the Group's business, results of operations, financial condition and prospects.

Less favourable business or economic conditions, whether generally or in a specific industry, sector or geographic region, could cause counterparties and customers (especially those concentrated in areas experiencing less favourable business or economic conditions) to experience an adverse financial situation. This exposes the Group to the increased risk that those customers will fail to meet their payment obligations in accordance with agreed terms. A deterioration in the economic conditions in the UK could have an adverse impact on the Group's financial performance and position. Other factors that could have an adverse impact include further financial market dislocation, which could lead to falling confidence, increasing refinancing risk and contagion risk amongst market participants, counterparties and customers.

In the ordinary course of its operations, the Group estimates and establishes provisions for credit risks and the potential credit losses inherent in these exposures. This process, which is critical to the Group's results and financial condition, requires complex judgements, including forecasts of how changing macro-economic conditions might impair the ability of customers to repay their loans. The Group may fail to adequately identify the relevant factors or accurately estimate the impact and/or magnitude of identified factors, which could materially adversely affect its business, results of operations, financial condition and prospects.

Further, there is a risk that, despite the Group's belief that it conducts an accurate assessment of customer credit quality, customers are unable to meet their commitments as they fall due as a result of customer-specific circumstances, macro-economic factors or other external factors. The failure of customers to meet their commitments as they fall due may result in higher impairment charges or a negative impact on fair value in the Group's lending portfolio. A deterioration in customer credit quality and the consequent increase in impairments could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Failures in the design or effectiveness of models could have a material adverse effect on the Group's business, financial condition and/or reputation risk

Model risk is the risk that the Group's models that are used to manage the business are inaccurate, perform inadequately or are incorrectly used and as a result of weaknesses or failures in the design or use of a model, a financial loss occurs or a poor business or strategic decision is made. To mitigate this risk, model risk is managed within the framework set out in the Group's Model Risk Policy, which includes governance, assurance,

oversight and reporting requirements for the use of models within the Group relative to their inherent risk. Any failure to manage this risk adequately could adversely affect the Group's business, financial condition and results of operations and could damage its relationships with its regulators.

The Group is subject to risks relating to the availability of liquidity and funding at a commercially acceptable cost

Funding risk is the risk that the Group is unable to raise funding at a commercially acceptable cost to support the delivery of its strategic plan or sustain lending commitments. Liquidity risk is the risk that the Group is unable to meet its current and future financial obligations as they fall due.

The Group's primary liquidity risk exposure arises through the redemption of retail deposits where customers have the ability to withdraw funds with limited or no notice. Exposure also arises from the refinancing of customer and wholesale funding at maturity.

The Group is subject to regulation that requires it to hold levels of surplus liquidity that ensure it maintains liquid assets to meet potential stressed outflows in addition to its expected cash flows, along with sufficient levels of stable funding relative to its long-term assets. These requirements may be subject to change as part of amendments to regulation or regulatory review of the Group.

The Group is exposed to liquidity risk as a result of mismatches in cash flows from balance sheet assets and liabilities and off-balance sheet financial instruments. The Group is exposed to liquidity risk where it cannot maintain surplus liquid resources to cover cash flow imbalances and fluctuations in funding. If the Issuer fails to manage and control these risks the Issuer could become unable to meet its obligations, including those under the Notes, as they fall due.

Failure to meet the regulatory requirement for liquidity or stable funding could result in actions or sanctions, which may have a material adverse effect on the Group's business, including its operating results, financial condition and its prospects. This, in turn, may affect the Group's capacity to continue its business operations or pursue strategic opportunities and may have an impact on future growth potential.

Volatility in wholesale funding markets and reduction in access to government schemes designed to support lending may reduce the availability or increase the cost of the Group's sources of funding, and may have an adverse effect on the Group's business and financial condition

The Group's 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 the Group's business and financial condition.

The Group currently utilises short term wholesale funding markets for liquidity. Under exceptional circumstances, the Group's ability to fund its financial obligations could be negatively impacted if it is unable to access funding on commercially acceptable terms, or at all. While the Group expects to have sufficient liquidity to meet its funding requirements, even in a combined stress scenario, under extreme and unforeseen circumstances a prolonged and severe restriction on its 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, cost, availability or accessibility of any such funding or liquidity support) could increase the Group's cost of funding, resulting in a material adverse effect on its financial condition or results of operations, and/or could affect the Group's ability to: (i) meet its financial obligations as they fall due; (ii) meet its regulatory minimum liquidity requirements; or (iii) fulfil its commitments to lend.

In such extreme circumstances the Group may not be in a position to continue to operate without additional funding support. Inability to access such support could have a material impact on the Issuer's solvency. These risks can be exacerbated by many enterprise-specific factors, including an over-reliance on a particular source

of funding or market-wide phenomena such as market dislocation and pandemics (such as Covid-19) and major disasters. There is also a risk that the funding structure employed by the Group may prove to be inefficient, giving rise to a level of funding cost that is not sustainable in the long-term for the Group to grow its business or even maintain it at current levels. The Group's ability to access retail and wholesale funding sources on satisfactory economic terms is subject to a variety of factors, including a number of factors outside of the Group's control, such as liquidity constraints, general market conditions, regulatory requirements and loss of confidence in the UK banking system.

The Bank of England's Term Funding Scheme with additional incentives for SMEs (the "TFSME") opened in March 2020 for a period of 12 months as support during the Covid-19 pandemic. In December 2020, it was announced that the drawdown period was to be extended to 31 October 2021 (from 30 April 2021) and the reference period would run from 31 December 2019 to 30 June 2021 (extended from 31 December 2020).

The TFSME scheme was designed to support banks and building societies which were finding it difficult to reduce deposit rates much further in a low interest rate environment. 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. The Issuer is participating in the TFSME scheme and continues to have outstanding balances under such scheme.

The withdrawal of government support could increase funding costs for those institutions which have previously utilised that support. In addition, other financial institutions that have relied significantly on government support to meet their funding needs will also need to find alternative sources of funding when that support is reduced or withdrawn and, in such a scenario, the Issuer expects to face increased competition in the retail savings market on which the Issuer is reliant. This competition could further increase its funding costs and so adversely impact its results of operations and financial position and potentially impact upon its ability to make payment on the Notes.

The Group is subject to risks associated with its hedging and treasury operations, including potential negative fair value adjustments

The Group faces risks related to its hedging and treasury operations. The Group engages in hedging activities, for example in relation to interest rate risk, to limit the potential adverse effect of interest rate fluctuations on its results of operations. The Group's treasury operations have responsibility for managing the interest rate risk that arises through its customer facing business, management of its liquid asset buffer and investment of free reserves and interest rate insensitive deposit balances. Interest rate hedges for both customer assets and liabilities are calculated using a behavioural model. However, the Group does not currently hedge all of its interest rate, foreign exchange and other risk exposures and cannot guarantee that its hedging strategies will be successful because of factors such as behavioural risk, unforeseen volatility in interest rates or other market prices or, in times of market dislocation, the decreasing credit quality, or unavailability, of hedge counterparties. If its hedging strategies are not effective, the Group may be required to record negative fair value adjustments. Material losses from the fair value of financial assets would also have an adverse impact on the Group's capital held.

Through its treasury operations, the Group holds liquid assets portfolios potentially exposing the Group to interest rate risk, basis risk and credit spread risk. To the extent that volatile market conditions occur, the fair value of the Group's liquid assets portfolios could fall and cause the Group to record mark-to-market losses. In a distressed economic or market environment, the fair value of certain of the Group's exposures may be volatile and more difficult to estimate because of market illiquidity. Valuations in future periods, reflecting then-prevailing market conditions, may result in significant negative changes in the fair value of the Group's

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

The Group may not achieve targeted profitability or efficiency savings, which could have an adverse impact on its capital planning and/or results of operations

As a mutual organisation, the Issuer has no external shareholders, so the Group's profitability targets are set to ensure that it continues to be financially sustainable, enabling it to continue creating value for its stakeholders in the future. It is important to the Group that the level of income it generates covers the cost of running the organisation and delivering its products and services. Any additional profit is invested in:

- (i) protecting its financial position and supporting its growth by building its capital strength;
- (ii) its future, through the delivery of better products and services; and
- (iii) its people, local communities and other social or environmental responsibilities through its Purpose (as defined below) and strategy.

The help the Issuer offers to its savers has to be balanced against the rates it offers to its mortgage borrowers in order to protect its profitability and assure its longer-term stability.

In light of strong competition in the market and downward pressure on mortgage margins, the Issuer has shifted the focus of its lending strategy from a volume based approach to one based on both volume and value, through utilising its enhanced pricing capabilities. It has also embarked on a programme of digital transformation to enable strong growth. Given the margin pressures in both the mortgage and savings markets, the Group has to continue to focus on reducing costs, where it makes good sense to do so, and improving efficiency, so it can provide its members with value for money. However, notwithstanding the above, there can be no assurance that targeted levels of income and cost savings will be achieved. Any failure by the Group to meet its targeted financial performance could adversely impact its capital ratios and the results of operations of the Group.

The Group may be exposed to losses if critical accounting judgements or estimates are subsequently found to be incorrect or inaccurate

The preparation of the Group's financial statements require management to make estimates and assumptions and to exercise judgement in selecting and applying relevant accounting policies, each of which may directly impact the reported amounts of assets, liabilities, income and expenses, to ensure compliance with international accounting standards as adopted by the UK Endorsement Board (or, before 1 October 2021, International Financial Reporting Standards ("IFRS") as endorsed in the EU). Some areas involving a higher degree of judgement, or where assumptions are significant to the financial statements, include the fair value of the equity release mortgage assets, fair value of derivative and financial assets, impairment provisions on credit exposures, deferred tax, retirement benefit obligations and effective interest rate assumptions. For information on the Group's critical accounting estimates and judgements, see note 1 to the financial statements in the 2023 Financial Statements, which are incorporated by reference into these Admission Particulars.

If the judgements, estimates and assumptions used by the Group in preparing its consolidated financial statements are subsequently found to be incorrect, there could be a significant loss recognised beyond that anticipated or provided for or an adjustment to those consolidated financial statements, which could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, the concept of an expected credit loss ("ECL") under IFRS 9 (either a 12-month or lifetime ECL) involves increased complexity and judgement, with the potential for ECLs to be more volatile, which could adversely impact the Group's results of operations, financial condition or prospects.

The Group faces risks associated with a failure to manage changes in taxation rates or applicable tax laws, or from a misinterpretation of such tax laws

The Group faces risks associated with changes in taxation rates or applicable tax laws, or misinterpretation of such tax laws, any of which could result in increased charges, financial loss, including penalties, and reputational damage. Any misinterpretation of tax laws that creates the perception that the Group is avoiding or evading tax, or if it is associated with customers that do so, could adversely affect its reputation. Future actions by the UK Government to adjust tax rates or to impose additional taxes (including particular taxes and levies targeted at the banking industry) could reduce the Group's profitability. Revisions to tax legislation or to its interpretation might also affect the Group's results of operations and financial condition in the future. In addition, the UK has a predominantly self-assessment system for filing of tax returns. All tax returns have been filed by the Group within statutory deadlines, but His Majesty's Revenue & Customs ("HMRC") has the right to enquire into those returns post filing. It is possible that an enquiry may result in a further liability to tax, which, if material, could have a material adverse effect on the Group's business, financial condition, results of operation and prospects.

Further details on recent changes to tax laws and tax rates and their impact on the Group is given in notes 8, 19 and 45 to the financial statements in the 2023 Financial Statements, which are incorporated by reference into these Admission Particulars.

Ratings downgrades in respect of the UK

The Group's financial performance has been and will continue to be affected by general political and economic conditions in the UK, the Eurozone and elsewhere, and other adverse developments in the UK or global financial markets would cause its earnings and profitability to decline.

As at the date of these Admission Particulars, the UK's long-term ratings are "Aa3" from Moody's and "AA-" from Fitch. Any downgrade of the UK sovereign credit rating or the perception that such a downgrade may occur could destabilise the markets, impact the Issuer's borrowing costs and its ability to fund itself and have a material adverse effect on the Issuer's operating results and financial condition. In addition, a UK sovereign downgrade, or the perception that such a downgrade may occur, would be likely to depress consumer confidence, restrict the availability, and increase the cost, of funding for individuals and companies, depress economic activity, increase unemployment and/or reduce asset prices. These risks are exacerbated by concerns over general market turmoil, slowing global growth, and trade tensions. Instability within global financial markets might lead to instability in the UK, which could have a materially adverse impact on the Issuer's performance.

The Group faces risk from the impact of climate change

The Group is exposed to physical and transition risks arising from climate change. Physical risks from climate change arise from a number of factors and relate to specific climate and weather-related events and longer-term shifts in the climate such as heatwaves, droughts, floods, storms, sea level rise, coastal erosion and subsidence. 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 gross domestic product growth, higher unemployment and significant changes in asset prices and profitability of industries. Damage to the properties and operations of borrowers could impair asset values and the creditworthiness of customers leading to increased default rates, delinquencies, write-offs and impairment charges in the Group's portfolios and financial losses for the Group. In addition, the Group's premises may also suffer physical damage due to weather events leading to increased costs for the Group.

Transition risks arise from the process of adjustment towards a low-carbon economy. As the economy transitions to a low-carbon economy, financial institutions, including the Group, may face significant and rapid

developments in policy, law and regulation, technology and sentiment, which could prompt a reassessment of the value of a large range of assets of the Group and creating credit exposures for lenders, including the Group, as compliance costs and opportunities become apparent. As sentiment towards climate change shifts and societal preferences change, the Group may face greater scrutiny of the type of business it conducts, adverse media coverage and reputational damage from a failure to meet the changing societal, customer, or investor demands as well as failure to comply with governmental and regulatory requirements. This may in turn impact customer demand for the Group's products, returns on certain business activities, cost of funding and the value of certain assets resulting in impairment charges. A failure by the Group to identify and adapt its business to meet new rules or evolving expectations, or any perception that it is under-performing relative to its peers, could result in reputational damage and/or risk of legal claims.

If the Group does not adequately embed the management of risks associated with climate change into its risk framework to appropriately measure, manage and disclose the various financial and operational risks it faces as a result of climate change, or fails to adapt its strategy and business model to the changing regulatory requirements and market expectations on a timely basis, such circumstances may have a material and adverse impact on the Group's trading performance, financial condition, competitiveness, results of operations and prospects.

Reputational risk could cause harm to the Group and its business prospects

The Group's reputation is one of its most important assets and its ability to attract and retain customers and conduct business with its counterparties could be adversely affected where the Group's reputation is damaged. Failure to address, or appearing to fail to address, issues that could give rise to reputational risk could cause harm to the Group and the Group's business prospects.

Reputational issues include, but are not limited to: appropriately addressing potential conflicts of interest; cyber security; legal and regulatory requirements; ethical issues; adequacy of anti-money laundering processes; customer privacy issues; customer service issues; colleague wellbeing; recordkeeping; sales and trading practices; proper identification of the legal, reputational, credit, liquidity and market risks inherent in products offered; and generally poor business performance.

A failure to address these or any other relevant issues appropriately could make customers, depositors and investors unwilling to do business with the Group, which could adversely affect its business, financial condition and results of operations and could damage its relationships with its regulators.

The reputation of the Group and its brands may be damaged by the actions, behaviour or performance of numerous persons

Any event or circumstance that causes damage to the Group or its brands could have a material adverse effect on its business, results of operations, financial condition and prospects.

The Group's brands may be damaged by the actions, behaviour or performance of its employees, affiliates, suppliers, counterparties, regulators, customers and/or other activists, or the financial services industry generally. A risk event, such as compliance breaches, cyber-enabled crime and fraud, or a significant operational or technology failure, or a fall in customer service levels, or demonstrations by customers and/or other activists, may cause business disruption or adversely affect the perceptions of the Group held by the public, investors, customers, employees or regulators. A risk event itself may expose the Group to direct losses as a result of litigation, fines and penalties, remediation costs or loss of key personnel. There is also a risk that customers may not support the ongoing use of the brand, which may adversely impact the Group's business, results of operations, financial condition and prospects.

The Group may fail to attract or retain executives, senior managers or other key employees

The Group's success depends on the continued service and performance of its key employees, particularly its executives and senior managers, and its ability to attract, retain and develop high calibre talent. The Group may not succeed in attracting new talent and retaining key personnel for a variety of reasons, including if such personnel do not identify or engage with the Group's purpose, brand and values, which represents a major component of its overall strategy. The Group competes for talented personnel with skills that are in relatively short supply and it may not have sufficient scale to offer employees rates of compensation or opportunities to advance within the organisation comparable to its larger competitors, particularly at more senior levels. The Group may also allocate resources improperly or in ways which could create operational inefficiencies and risks and/or lead to de-motivated senior employees. Each of these factors could have an adverse effect on the Group's ability to recruit new personnel and retain key employees, which could, in turn, adversely affect the Group's business. In addition, external factors such as changing labour market dynamics including higher levels of job vacancies, macro-economic conditions, the regulatory environment developing to increase direct liabilities for bank employees, regulatory restrictions on incentivisation and/or continued negative media attention on the financial services industry may adversely affect employee retention, sentiment and engagement. Any failure to attract and retain key employees, including executives and senior managers, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Regulatory and Conduct Risks

The Group's business is subject to ongoing regulation and associated regulatory risks, including the effects of new and changing laws, rules, regulations, policies, voluntary codes of practice and interpretations of such in the UK. These laws, rules, and regulations include: (a) prudential regulatory developments; (b) increased regulatory oversight in respect of conduct issues; and (c) industry-wide codes, guidance and initiatives. Each of these regulatory areas have costs associated with it, may significantly affect the way that the Group does business and may restrict the scope of its existing businesses, limit its ability to expand its product offerings or make its products and services more expensive for clients and customers. Developments across any of these three regulatory areas, discussed in greater detail below, could materially adversely affect the Group's access to liquidity, increase its funding costs, increase its compliance costs, delay, limit or restrict its strategic development and have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is subject to risks associated with compliance with a wide range of laws and regulations

The Group's operations are heavily regulated, and it must comply with numerous laws and regulations and may face enforcement action from regulators and others for any failure to comply. Regulatory compliance risk arises from a potential failure or inability to comply fully with the laws, regulations and codes applicable to the financial services industry.

Regulatory enforcement actions pose a number of risks to the Group, including substantial monetary damages or fines, the amounts of which are difficult to predict and may exceed the amount of provisions set aside to cover such risks. In addition, the Group and/or its employees may be subject to other penalties and injunctive relief, civil or private litigation arising out of the same subject matters as a regulatory investigation, the potential for criminal prosecution in certain circumstances and regulatory restrictions. All of these issues could have a negative effect on the Group's reputation and the confidence of its customers in the Group, as well as taking a significant amount of management time and resources away from the execution of the Group's strategy and the operation of its business.

The Group may settle litigation or regulatory proceedings prior to a final judgment or determination of liability to avoid the cost, diversion of management time and effort or negative business, regulatory or reputational consequences of continuing to contest liability or when the potential consequences of failing to successfully

contest liability would be disproportionate to the costs of settlement. Furthermore, the Group may, for similar reasons, reimburse counterparties for their losses even in situations where there are no litigation proceedings and the Group does not believe that it is legally compelled to do so. Failure to manage these risks adequately could have a material adverse effect on the Group's reputation, business, results of operations, financial condition and prospects.

The Group faces risks relating to complaints and redress issues from sales of historic financial products, which may not be covered by any existing provisions

The Group faces conduct, financial and reputational risks as a result of legal and regulatory proceedings, and complaints made to it directly, to the Financial Ombudsman Service or other relevant regulatory bodies both against the Group and against members of the UK banking industry more generally.

In addition, the Group may also face financial and reputational risks as a result of customer complaints, which might arise from matters such as inadequate communications or historic or current customer treatment in relation to certain products offered by the Group.

It is possible that the Group will be subject to further claims relating to historic or future conduct matters, which amount to a material capital exposure for the Group. Exposure to such claims may exceed any provisions of the Group which could have a material adverse effect on the Group's balance sheet. Such claims could therefore have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group is subject to substantial and changing prudential regulation which could have a material adverse effect on the Group

The Group faces risks associated with an evolving prudential regulatory environment, pursuant to which it is required, among other things, to maintain adequate capital resources and to satisfy specified capital ratios at all times.

Any future prudential regulatory developments could have a material adverse effect on the Group's business, results of operations and financial condition.

(a) EU Exit

Following its departure from the EU in 2020, the UK will in future enact its own regulation rather than adopt EU regulation. Whilst the UK has committed to ensuring that prudential standards are updated in line with international Basel III standards, there are nevertheless some areas where UK regulation may diverge from the regulation that is in force in the EU. The Group cannot predict the direction or extent of any future changes or the extent of any future divergence between the UK and EU regulatory regimes. This may increase uncertainty and compliance costs for the Group.

(b) Capital

A market perception or actual shortage of capital issued by the Group could result in regulatory actions, including requiring the Issuer to issue additional CET1 instruments. This may affect the Group's capacity to continue its business operations, generate a return on capital, pursue acquisitions or other strategic opportunities, affecting future growth potential.

In addition, any increase in the Pillar 1 requirements, Pillar 2 requirements, the combined buffer or the PRA capital buffer would increase the capital requirements of the Group which could have a material adverse effect on the Group's business, results of operations and financial condition.

(c) *Recovery and Resolution*

If the Bank of England, as resolution authority, were to exercise recovery or resolution powers in respect of the Group then existing debt holders, including holders of the Notes, may experience dilution of, or losses on, their holdings and may not receive any compensation for their losses – see “*The Banking Act confers substantial powers on a number of UK authorities designed to enable them to take a range of actions in relation to UK deposit taking institutions which are considered to be at risk of failing. The exercise of any of these actions in relation to the Issuer or the Notes could materially adversely affect the value of any Notes and/or the rights of Noteholders*”). In addition, in a resolution situation, financial public support will only be available to the Group as a last resort after the resolution authorities have assessed and exploited, to the maximum extent practicable, the resolution tools, including the bail-in tool.

Future legislative, accounting and regulatory changes could impose operational restrictions on the Group, require the Group to raise further capital, increase the Group’s expenses and/or otherwise adversely affect its business, results, financial condition and prospects

The Group conducts its business subject to ongoing regulation and supervision by the FCA and the PRA. The regulatory regime requires the Group to be in compliance with a range of different requirements, including rules relating to capital, liquidity, leverage, provisions for expected credit losses, consumer credit, mortgage provision and data protection measures, as well as regulations impacting many aspects of its activity, including the training, authorisation and supervision of personnel, systems, processes and documentation. The Group may also be impacted by new regulation in the future, for example relating to open banking, new payment architecture, setting of rates for certain customers, money laundering, climate change, consumer duty, capital, liquidity and leverage measures. In addition, the Group is subject to accounting, fiscal and other rules, which are also subject to change. If the Group fails to comply with any relevant regulations or rules, there is a risk of an adverse impact on its business due to sanctions, fines or other action imposed by the regulatory authorities. Future changes in regulation, accounting, fiscal or other policies are unpredictable and beyond the Group’s control and could materially adversely affect its business or operations.

The PRA published Consultation Paper CP16/22 in November 2022 which sets out the PRA’s proposed implementation of the Basel 3.1 standards, including proposed changes to capital requirements which will impact the Group and other firms/issuers with an original proposed implementation date of 1 January 2025. On 12 December 2023, the PRA published near-final policy statement PS17/23 - Implementation of the Basel 3.1 standards near-final part 1, which extended the proposed implementation date for the Basel 3.1 standards in the UK to 1 July 2025.

As at the date of these Admission Particulars, it is impossible to predict the effect that any of the proposed or recent changes will have on the Group’s operations, business, financial condition or prospects or how any of the proposals discussed above will be implemented. Depending on the specific nature of the requirements and how they are enforced, such changes could have a significant impact on the Group’s operations, structure, costs and/or capital requirements. Accordingly, the Group cannot assure investors that the implementation of any of the foregoing matters or any other regulatory, accounting, fiscal or legislative changes that may be proposed will not have a material adverse effect on its operations, business, results, financial condition or prospects.

The Group is subject to regulatory capital requirements that are subject to change and may result in additional capital requirements for the Group

The Group is subject to capital requirements that could have an impact on its operations. Changes to the capital requirements under which the Group operates could hinder growth by prescribing more stringent requirements than those with which it currently complies. UK regulators and international policymakers have reviewed a number of areas of the regulatory capital framework, with a view to making changes as appropriate.

The Basel Committee on Banking Supervision (the “**BCBS**”) approved significant changes to the Basel regulatory capital and liquidity framework in January 2011, January 2014 and December 2017 (such changes being referred to by the BCBS as “**Basel III**”, and referred to, colloquially, as Basel III in respect of reforms finalised prior to 7 December 2017 and “Basel 3.1” in respect of reforms finalised on or following that date) including additional capital requirements, higher capital ratios, more stringent eligibility requirements for capital instruments, a new leverage ratio and liquidity requirements.

The Basel III reform package has been implemented in the EEA through the Capital Requirements Regulation (575/2013) (the “**EU CRR**”) and an associated directive (the Capital Requirements Directive (2013/36/EU)), as may be amended or supplemented from time to time (the “**CRD**”) (together, “**CRD IV**”), which were published in the Official Journal of the EU on 27 June 2013 and were further amended through the CRR II Regulation ((EU) 2019/876) (the “**EU CRR II**”) and the CRD V Directive ((EU) 2019/878). The EU CRR establishes a single set of harmonised prudential rules which will apply directly to all credit institutions in the EEA with the CRD containing less prescriptive provisions which should be transposed into national law. The EU CRR gives express recognition for CET1 capital instruments for mutual and co-operative entities and permits the use of a cap or restriction to safeguard the interests of members and reserves. Full implementation began from 1 January 2013, with particular elements being phased in over a period of time.

The CRD IV framework, as applicable in the EU as at the end of the transition period relating to the UK’s exit from the EU (31 December 2020), has broadly been reflected in the UK, with EU CRR and related EU regulations (which had direct binding effect in the UK until expiration of the transition period) forming part of domestic UK law, with certain exceptions and adjustments, primarily through the EUWA, ancillary legislation and PRA rules. The Financial Services and Markets Act 2023, which received Royal Assent on 29 June 2023, implements important changes to the UK’s regulatory framework for financial services, including paving the way for regulatory reform. It gives HM Treasury, the PRA and the FCA new powers to reshape how regulation is made and maintained. This includes full control over the process of moving retained EU law from the statute books into the regulatory rulebooks, resulting in gradual amendments to UK regulation.

On 30 November 2022, the PRA issued Consultation Paper 16/22 (CP16/22) – Implementation of the Basel 3.1 standards. The consultation paper sets out the PRA’s proposed rules and expectations with respect to the implementation of the Basel 3.1 standards. The consultation proposes changes to the frameworks for credit risk (Standardised and Internal Ratings Based/ IRB), credit risk mitigation techniques, operational risk, market risk and credit valuation adjustment (CVA) risk, and output floors with an original implementation date in the UK of 1 January 2025. On 12 December 2023, the PRA published near-final policy statement PS17/23 - Implementation of the Basel 3.1 standards near-final part 1, which sets out the near-final policies on market risk, credit valuation adjustment risk and counterparty credit risk and operational risk and extended the proposed implementation date for the Basel 3.1 standards in the UK to 1 July 2025. The second near-final policy statement on the remaining elements from CP16/22 (credit risk, the output floor and reporting and disclosure requirements) is expected in the second quarter of 2024. The PRA is expected to consult further on the implementation of the Pillar 2 framework for capital requirements.

A perceived or actual reduction in capital surplus could result in actions or sanctions, which may have a material adverse effect on the Group’s business, including its operating results, financial condition and its prospects. This, in turn, may affect the Group’s capacity to continue its business operations or pursue strategic opportunities and may have an impact on future growth potential.

The circumstances which could give rise to a reduction in capital surplus could include the following:

- (i) The Group may experience a depletion of its capital resources through increased costs or liabilities incurred as a result of the crystallisation of any of the other risk factors described elsewhere in this section.

- (ii) The Group may experience an increased demand for capital. For example, the Group is subject to extensive regulation and regulatory supervision in relation to the levels of capital in its business. New or revised minimum and buffer capital requirements could be applied and/or the manner in which existing regulatory requirements are applied to the Group could be changed.

The Group manages its capital taking account of market expectations as well as regulatory requirements. If market expectations increase, driven by, for example, the capital levels or targets amongst peer banks or building societies, then the Group may experience pressure to increase its capital and leverage ratios.

Risk of an increase in levies on the Group to fund payments under the Financial Services Compensation scheme (the “FSCS”)

The FSMA established the FSCS, which pays compensation to eligible customers of authorised financial services firms which are unable, or are likely to be unable, to pay claims against them. Based on its share of protected deposits, the Group pays levies to the FSCS to enable the scheme to meet claims against it.

In common with other financial institutions which are subject to the FSCS, the Group also has a potential exposure to future levies resulting from the failure of other financial institutions and consequential claims which arise against the FSCS as a result of such failure.

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 the Group. Any such increases in the Group’s costs and liabilities related to the levy may have a material adverse effect on its results of operations. 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.

Risk that the Group fails to satisfy compliance requirements in respect of Consumer Duty

The intention of the new consumer duty principle (the “**Consumer Duty**”) is to deliver higher levels of consumer protection in retail financial markets. It aims to do so by encouraging firms to compete in the interests of consumers, as well as driving a healthy and successful financial services system, where firms thrive and consumers can make informed choices about their financial products and services.

The rules have already come, and will come, into force on a phased basis which was extended from the initial nine months previously proposed by the regulators:

1. 30 April 2023 - Manufacturers should aim to have completed all the reviews necessary to meet the four outcome rules for their existing open products and services. Manufacturers should have shared with distributors the information necessary for them to meet their obligations under the Consumer Duty.
2. 31 July 2023 - The rules came into force for new and existing products or services that are open to sale or renewal.
3. 31 July 2024 - The rules come into force for closed products or services.

This is an evolution of the cultural and behavioural shift that has been a theme in FCA work such as the senior managers and certification regime and its work on vulnerable customers. Culturally, it means moving to an outcome focus stance where firms are preventing harm proactively, rather than having to remediate when harm is caused.

The new Consumer Duty aims to bring about a fairer, more consumer-focused and level playing field in which:

- firms are consistently placing consumers' interests at the centre of their businesses and extending their focus beyond ensuring narrow compliance with specific rules to focus on delivering good outcomes for consumers;
- competition is effective in driving market-wide benefits, with firms competing to attract and retain customers based on high standards and innovate in pursuit of good consumer outcomes; and
- consumers get products and services which are fit for purpose, provide fair value, that they understand how to use and are supported in doing so.

The scope of the Consumer Duty includes all retail clients including prospective clients. Complying with this regulation is likely to lead to an increase in costs as it requires firms to:

- review their existing products and services, including closed book products;
- review and update, where appropriate, processes for introducing new products and services to ensure compliance with the new expectations; and
- ensure they can evidence how they achieve good outcomes.

It will be the responsibility of all senior management to ensure good outcomes for consumers in line with the new duty, and for evidencing that this is happening. An annual report will be signed off by the board to confirm compliance with the duty and agree any actions that need to be taken to gain or maintain compliance.

The costs to the financial services sector as a whole, in terms of both compliance and ongoing annual direct costs, are likely to be significant. However, the individual costs for each firm will differ from organisation to organisation and, at this stage, are difficult for the Group to predict.

The Group must comply with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations, and a failure to prevent or detect any illegal or improper activities fully or on a timely basis could negatively impact customers and expose the Group to liability

The Group is subject to regulation and legislation regarding money laundering, the financing of terrorism, sanctions and in respect of bribery. Monitoring compliance with financial crime related regulation, legislation and industry guidance can put a significant financial burden on building societies and other financial institutions and requires significant technical capabilities and the appropriate level of skill, knowledge and experience. In recent years, enforcement of these laws and regulations against financial institutions has increased, resulting in several landmark fines against UK financial institutions. In addition, the Group cannot predict the nature, scope or effect of future regulatory requirements to which it might be subject or the manner in which existing laws might be administered or interpreted. Although the Group believes that its current policies and procedures are sufficient to comply with applicable financial crime related regulation and legislation, it cannot guarantee that such policies and procedures completely prevent situations of financial crime, including actions by the Group's employees, mortgage intermediaries or third party service providers, for which it might be held responsible. Any such events may have severe consequences, including sanctions, fines and reputational consequences, which could have a material adverse effect on the Group's business, financial condition and results of operations.

Operational and Technology Risk

The Group is exposed to risks associated with its IT systems

The Group's IT systems are critical to the operation of its business and the delivery of products and services to its customers (including the provision of services to NSSL's clients and their customers). Any disruption in a customer's access to account information, delays in making payments, or a failure of online or mobile banking platforms could have a significant negative effect on its reputation and could also lead to potentially large costs

both to rectify the issue and to reimburse losses incurred by customers. In addition, any defect in the Issuer's standard documentation or defect in its electronic banking applications or mainframe could be replicated across a large number of transactions before the defect is discovered and corrected. This could significantly increase the cost of remediating the defect.

A range of standard form documentation and automatic banking systems are widely used in the Group's business to process transactions. The Group focuses on the resilience and scalability of the IT systems that underpin online or mobile traffic and transactional volumes. However, there is a risk that the Group's IT systems may not be able to service significantly increased demand. In the future, the Group plans to upgrade its IT systems and staffing to meet such demand, which may cause delays to customers and adversely affect its customer service.

As the Group depends on a number of third-party providers for a variety of functions, including payment service provider systems, any disruption in such systems could have a disruptive effect on the Group's operations.

Further, the Group regularly conducts IT system upgrades. Should these upgrades not be completed as planned, or become subject to significant delays or suffer from cost overruns, operational performance may suffer. Delays or cost overruns could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Any disruption to the Group's IT systems, including, but not limited to those highlighted above, could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Group may be subject to data privacy or data protection failures

The Group collects and processes large amounts of personal data as an integral part of its business and must therefore comply with data protection and privacy laws and regulations (including, in particular, the UK General Data Protection Regulation. If the Group or any of the third party service providers on which it relies fails to appropriately collect, store, handle or transmit personal data in compliance with relevant laws and regulations or if any damage to or loss or inadvertent deletion of personal data were otherwise to occur and/or an actual or perceived breach of the Group's network security occurs, it may expose the Group to litigation, including litigation that may originate from other financial services clients of the Group for whom NSSL provides outsourced savings management services directly to their customers, regulatory liability and damage to its reputation, which may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is exposed to risks associated with cyber-enabled crime and fraud

The Group is subject to the risk of actual or attempted cyber and information security attacks and breaches from parties with criminal or malicious intent. Should the Group's layered controls fail to detect, prevent or mitigate a cyber-attack or data breach, or should an incident occur in a system for which there is limited resilience, there may be a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group continues to invest in its cyber and information security controls in response to emerging threats, such as cyber-enabled crime and fraud, and to seek to ensure that controls for known threats remain robust. The risks associated with cyber-attacks, where an individual or group seeks to exploit vulnerabilities in IT systems for financial gain or to disrupt services, are a material risk to the Group and the UK financial system, which has a high degree of interconnectedness between market participants, centralised market infrastructure and in some cases complex legacy IT systems. The Group cannot be certain that its infrastructure and controls will prove effective in all circumstances and any failure of the controls could result in significant financial losses and a material adverse effect on the Group's operational performance and reputation. The Group's strategy to increase its digital presence may expose the Group to increased risks associated with cyber-enabled crime and fraud.

Any breach in security of the Group's systems, for example from increasingly sophisticated attacks by cyber-crime groups or fraudulent activity in connection with customer accounts, could disrupt its business, result in the disclosure of confidential information, create significant financial and/or legal exposure and damage its reputation and/or brands, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is exposed to operational risks related to inadequate or failed internal processes, people and systems and from external events

The Group's business is exposed to operational risks related to inadequate or failed internal processes, people and systems and from external events. Operational risks are inherent in the day-to-day operational activities of the Group, which may result in direct or indirect losses and could adversely impact the Group's business, financial condition, results of operations and prospects. These losses may result from both internal and external events, and risks.

Internal risks include, but are not limited to, process error or failure, inadequate process design, poor product development and maintenance, poor change management, ageing infrastructure and systems, system failure, failure of security and physical protection (including the health and safety of employees), fraud, deficiencies in employees' skills, or the Group's ability to attract the skills required or manage poor performance or human error, or other idiosyncratic components of operational risk that are related to the Group's particular size, nature and complexity.

External events include, but are not limited to, operational failures by third-party providers, actual or attempted external IT security breaches from parties with criminal or malicious intent, natural disasters, epidemics, pandemics, extreme weather events, political, security and social events and failings in the financial services industry. The Group is exposed to extreme but plausible events that are unpredictable and may result in a material or systemic loss, business interruption or significant reputational damage.

The Group is dependent on its information systems and technology from a system stability, data quality and information security perspective. The Group is dependent on payments systems and technology that interface with wider industry infrastructure; for example, the Group is, in common with other building societies, dependent on various industry payment systems and schemes (including CHAPS, BACS, Faster Payments and SWIFT) for making payments between different financial institutions on behalf of customers. Internal or external failure of these systems and technology (including if such systems cannot be restored or recovered in acceptable timeframes or be adequately protected) could adversely impact the Group's ability to conduct its daily operations and its business, financial condition, results of operations and prospects.

In addition, financial models are used extensively in the conduct of the Group's business; for example, in calculating capital requirements and measuring and stressing exposures. If the models used prove to be inadequate or are based on incorrect or invalid assumptions and judgements, this may adversely affect the Group's business, financial condition, results of operations and prospects – see *“Failures in the design or effectiveness of models could have a material adverse effect on the Group's business, financial condition and/or reputation risk”*.

The Group may look to implement new operational processes and systems to assist in responding to market developments, such as reflecting changes in regulations. Due to the scale and complexity of such projects, the Group may be required to invest significant management attention and resources, which may divert attention away from normal business activities and other ongoing projects. Additionally, where changes are undertaken in an environment of economic uncertainty and increased regulatory activity and scrutiny, operational and compliance risks are magnified, which may impact the reputation and financial condition of the Group. There is also a risk that implementation may not be completed within expected timeframes or budget, or that such changes do not deliver some or all of their anticipated benefits.

Additionally, while the Group is operationally resilient, and has IT disaster recovery and business continuity plans in place, these are not, and are not intended to be a full duplication of the Group's operational systems and premises. The occurrence of a serious disaster resulting in interruptions, delays, the loss or corruption of data or the cessation of the availability of systems or premises could also have a material adverse effect on the Group's business.

The Group is also exposed to risks associated with an increase in the cost or lack of available insurance provision for the Group, which could have an adverse impact on profitability.

Any actual or perceived inadequacies, weaknesses or failures in the Group's systems or processes could also have a material adverse effect on its business, financial condition, results of operations and prospects.

Failure by the Group to control its operational risks may result in material adverse effects to its business, financial condition and/or reputation

The Group has an Enterprise Risk Management Framework in place that sets out a summary of the Group's risk management activities to be undertaken across all business areas within the Group. This framework defines Operational Risk as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. These include but are not limited to business continuity risk, information technology risk, information security risk, change risk, payments risk, people risk and third party risk. There can be no assurance that the Group's risk control and loss mitigation procedures will eliminate each of the operational risks faced by the Group and a failure to manage these risks effectively could adversely impact the Group's business and financial condition.

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

The ageing and diverse information technology ("IT") infrastructure, software, applications, satellite IT and use of third party packages present within institutions across the UK financial services sector, including at the Group, expose firms to increasing operational risks. As IT components age, their fit and value often deteriorate whilst cost and risk often conversely grow. Moreover, future digitalisation and modernisation initiatives may force firms, including the Group, to use old technology in ways for which they were not designed. Over the last couple of years, the Group has embedded an approach to managing and mitigating its legacy IT risks. The Group has an ongoing change programme designed to keep pace with developments in the industry. Despite the above and although the Group continues to undertake significant investment in the upgrade of its core IT infrastructure, the increasing pace of IT change in the industry may raise obsolescence risk with the result that services become less stable or relevant or costs increase.

Failure or delay in delivering the Group's change agenda successfully, including an increase in the costs, complexity or implementation time, could have a material adverse effect on the Group's business and financial condition.

Failure by the Group to control operational resilience risk could have a material adverse effect on the Group's business, financial condition and/or reputation

The increasing use of technology and the pace of technological change expose the UK financial services sector, including the Group, to ever increasing and evolving cyber security threats – including ransomware, data breaches and weaknesses in the supply chain. Resilience to such threats and an ability to respond effectively in the event of an attack are essential in order to protect the Group, maintain the trust of its customers and the confidence of its regulators. The Group continues to invest in operational resilience and legacy IT risk mitigation as part of its Group-wide security programme, however, any disruption caused by such an event could result in the Group being unable to carry out its operations, which could have an adverse effect on the Issuer and could damage the Group's reputation with customers, depositors, investors and regulators.

The Group's risk management policies and procedures may not be effective in protecting it against all the risks faced by its business, and any failure to manage properly the risks that it faces could harm the Group and its prospects

The management of risks requires, among other things, robust policies and procedures for the accurate identification and control of a large number of transactions and events. Such policies and procedures may not always prove to be adequate in practice against the wide range of risks that the Group faces in its business activities.

There is a risk that the Group's existing policies may not adequately cover the nature of the Group's operations due to the introduction of processes or practices that are not currently part of the Group's operating model, thereby leading to losses or a deterioration in performance, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group has a range of systems designed to measure and manage the various risks which it faces. Some of these methods are based on historic market and portfolio behaviour and 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 UK 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 the Group. Such information may not always be correct, updated or correctly evaluated. In addition, even though the Group constantly measures and monitors its exposures, there can be no assurance that its risk management methods will be effective, including 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 the Group's business, financial condition, results of operations and prospects.

The Issuer may be required to increase its contributions to the Newcastle Building Society Pension and Assurance defined benefit pension scheme to fund deficits

The Issuer operates a UK registered trust-based pension scheme, 'Newcastle Building Society Pension and Assurance Scheme' (the "**Scheme**") that provides defined benefits. The Scheme was closed to new entrants in 2000 and closed to the future accrual of benefits in 2010. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier) and are inflation linked (subject to a cap of no more than 5 per cent. per annum). The Issuer is the sole sponsoring employer of the Scheme. The assets and liabilities of the Scheme are managed by an independent trustee board and are operated completely separately from the Issuer and the wider Group. Risk to the Group could arise from the Scheme where a significant liability may occur to the Issuer if the value of the assets was materially insufficient to cover the ongoing liabilities of the Scheme over time. In the case of such a material Scheme deficit, the Issuer would be obliged by legislation and the governing documents of the Scheme, to ultimately ensure that the Scheme liabilities are met in a reasonable time frame. This could have an adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is subject to risks associated with its dependence on mortgage intermediaries and third-party service providers for certain functions

The Group depends on a number of third-party providers for a variety of functions including, inter alia, for mortgage intermediation, IT software and platforms, payment system services, operational services, cheque processing services and fund management and custodial services. Consequently, the Group relies on the continued availability and reliability of these service providers. If the Group's contractual arrangements with

any of these providers are terminated for any reason or any third-party service provider becomes otherwise unavailable or unreliable in providing the service to the required standard, it will be required to identify and implement alternative arrangements and it may not find an alternative third-party provider or supplier for the services, on a timely basis, on equivalent terms or without incurring a significant amount of additional costs or at all. These factors could cause a material disruption in the Group's operations and ability to service customers and could have a material adverse financial or reputational impact on it. It may result in a higher risk premium being applied to the Group and adversely impact the cost of funding its operations, or its financial condition and could give rise to claims by customers for financial loss experienced and/or regulatory sanctions.

In maintaining and growing its mortgage portfolio, the Issuer relies on a number of intermediaries in the mortgage lending market, which exposes it to the risk of deterioration of the commercial, financial or operational soundness of those organisations. If a major intermediary partner goes out of business or switches allegiance to other lenders, this may adversely affect the Issuer's lending volume. The Group is also exposed to the risk that its relationships with one or more intermediaries may deteriorate for a variety of reasons, including competitive factors. In addition, the intermediaries' incentives may not always align with the Group's, which could lead to a deterioration in the quality and performance of the Issuer's mortgage book. As the Issuer seeks to actively grow the volume of mortgages introduced by intermediaries, its exposure to those risks increases.

As noted above, the Group is dependent on payments systems and technology that interface with wider industry infrastructure; for example, the Group is, in common with other building societies, dependent on various industry payment systems and schemes (including CHAPS, BACS, Faster Payments and SWIFT) for making payments between different financial institutions on behalf of customers. Internal or external failure of these systems and technology (including if such systems cannot be restored or recovered in acceptable timeframes or be adequately protected) could adversely impact the Group's ability to conduct its daily operations and its business, financial condition, results of operations and prospects.

In addition, the structure of the intermediary market is also subject to change, for example, there may be a change in customer sentiment or regulation which favours customers dealing directly with financial institutions which would reduce the flow of business from intermediaries which may have an adverse impact on the Group if this business cannot be substituted. Also, there may be consolidation in the intermediary market which may change the behaviour of the residual intermediaries in ways which may adversely impact the Group. Any of these factors could have a negative impact on the Group's ability to meet its strategic objectives for its asset base and, consequently, its business, financial condition, results of operations and/or prospects.

In addition, if mortgage intermediaries are found to have violated applicable conduct regulations or standards in the sale of the Issuer's mortgage products, the Group's brands and/or reputation could be harmed as a result. Reputational damage to the Group's brands caused by the failure of a third-party supplier may also adversely impact the Group's ability to attract and retain customers or employees in the short and long-term and the ability to pursue new business opportunities.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

The obligations of the Issuer in respect of the Notes are subordinated

The Notes constitute unsecured and subordinated obligations of the Issuer.

On a winding-up of the Issuer, all claims in respect of the Notes will rank junior to all Senior Claims. If, on a winding-up or dissolution of the Issuer, the assets of the Issuer are insufficient to enable the Issuer to repay the claims of more senior-ranking creditors in full, the Noteholders will lose their entire investment in the Notes. If there are sufficient assets to enable the Issuer to pay the claims of senior-ranking creditors in full but

insufficient assets to enable it to pay claims in respect of its obligations in respect of the Notes and all other claims that rank *pari passu* with the Notes, Noteholders will lose some (which may be substantially all) of their investment in the Notes. Further, investors in the Notes will not be entitled to exercise any rights of set-off against the Issuer in respect of the Notes.

Although the Notes may pay a higher rate of interest than securities which are not subordinated, there is a substantial risk that investors in the Notes will lose all or some of the value of their investment should the Issuer become insolvent or subject to any of the resolution, write-down or conversion powers in the Banking Act 2009, as amended (the “**Banking Act**”).

Noteholders are also subject to the provisions of the Banking Act relating to, inter alia, the write down of capital instruments and the bail-in of liabilities as described under “*Mandatory write-down and conversion of capital instruments may affect the Notes.*” The ranking of the Notes in a winding up or dissolution of the Issuer can also be expected to have a direct impact on the relative losses imposed on Noteholders in a resolution of the Issuer or capital write-down under the Banking Act, as such resolution and capital write-down powers ought to be used in a manner that respects the hierarchy of claims in an ordinary insolvency - see “*The Banking Act confers substantial powers on a number of UK authorities designed to enable them to take a range of actions in relation to UK deposit taking institutions which are considered to be at risk of failing. The exercise of any of these actions in relation to the Issuer or the Notes could materially adversely affect the value of any Notes and/or the rights of Noteholders*” below.

Under the Insolvency Act 1986 (as the same may be amended, supplemented or replaced from time to time, the “**Insolvency Act**”), the debts of a relevant institution (which would include the Issuer) which are ‘non-preferential’ debts (i.e. those debts which are not presently given priority over ordinary unsecured claims under UK insolvency law) are no longer treated as a single *pari passu* class, and instead split into three distinct tiers:

- (1) ‘ordinary non-preferential debts’ (broadly equating to ordinary senior unsecured liabilities);
- (2) ‘secondary non-preferential debts’; and
- (3) ‘tertiary non-preferential debts’ (which would include liabilities in respect of tier 1 and tier 2 own funds instruments and other subordinated liabilities).

The Insolvency Act provides that, in an insolvency of a relevant institution, ordinary non-preferential debts will be paid in priority to secondary non-preferential debts, which in turn will be paid in priority to tertiary non-preferential debts.

As further set out at Condition 4, claims in respect of the Notes will constitute part of the class of ‘tertiary non-preferential debts’ (or such other designation as may be attributed to the equivalent class of debts) under the Insolvency Act.

The remedies available to Noteholders under the Notes are limited

Noteholders may not at any time demand repayment or redemption of their Notes, although in a winding-up or dissolution (except in any such case an Excluded Dissolution), the Noteholders will have a claim for an amount equal to the principal amount of the Notes plus any accrued interest.

The sole remedy in the event of any non-payment of principal or interest under the Notes, subject to certain conditions as described in Condition 8, is that the Trustee, on behalf of the Noteholders may, at its discretion, or shall (if it has been indemnified and/or secured and/or prefunded to its satisfaction at the direction of the holders of at least 25 per cent. of the aggregate principal amount of the outstanding Notes, institute proceedings for the winding-up of the Issuer and/or prove for any payment obligations of the Issuer arising under the Notes in any winding-up or other insolvency proceedings in respect of such non-payment.

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

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

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

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

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 a special resolution regime (the "SRR"). These powers enable the Authorities to deal with and stabilise UK-incorporated institutions with, amongst other entities, a UK bank or building society (such as the Issuer) (each a "relevant entity") in circumstances in which the Authorities consider that the resolution conditions are satisfied, through a series of stabilisation options.

The stabilisation options which may be commenced by the Authorities are: (i) the private sector transfer of all or part of the business or the shares of the relevant entity to a private sector purchaser; (ii) the transfer of all or part of the business of the relevant entity to a "bridge bank" established and wholly owned by the Bank of England; (iii) the transfer of all or part of the relevant entity or "bridge bank" to an asset management vehicle; (iv) temporary public ownership (nationalisation) of the relevant entity as well as powers to convert a building society into a company in connection with a bail-in; and (v) a bail-in tool which permits the Bank of England to (a) cancel, modify or convert the form of a liability owed by a relevant entity or provide that a contract under which, amongst others, a relevant entity has a liability is to have effect as if a specified right had been exercised under it or (b) transfer securities issued by a relevant entity to a bail-in administrator.

Under the Banking Act, powers are granted to Authorities which include, but are not limited to: (i) a "write-down and conversion power" relating to Tier 1 capital instruments, Tier 2 capital instruments (such as the Notes) and (ii) a "bail-in" tool relating to the majority of unsecured liabilities. Such loss absorption powers give resolution authorities the ability to write-down or write-off all or a portion of the claims of certain unsecured creditors of a failing institution or group and/or to convert certain debt claims into another security, including ordinary shares of the surviving group entity, if any. Such resulting ordinary shares may be subject to severe dilution, transfer for no consideration, write-down or write-off. The Banking Act specifies the order in which the bail-in tool should be applied, reflecting the hierarchy of capital instruments under Regulation (EU) No 575/2013 (as amended) as it forms part of domestic law by virtue of the EUWA and related legislation, with certain amendments (the 'Capital Requirements Regulation') and otherwise respecting the hierarchy of claims in an ordinary insolvency. Moreover, the Banking Act and secondary legislation made thereunder provides certain limited safeguards for creditors in specific circumstances. For example, a holder of debt securities issued by the Issuer should not suffer a worse outcome than it would in insolvency proceedings. However, this "no creditor worse off" safeguard may not apply in relation to an application of the write-down and conversion power in circumstances where a stabilisation power is not also used (the write-down and conversion power must be applied before any of the stabilisation options provided for in the SRR may be used and may be used

whether or not the institution subsequently enters into resolution); 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. The exercise of mandatory write-down and conversion power under the Banking Act or any suggestion of such exercise could, therefore, materially adversely affect the rights of the holders of equity and debt securities and the price or value of their investment and/or the ability of the Issuer to satisfy its obligations under such debt securities.

The Authorities also have wide powers under the Banking Act to modify contractual arrangements in certain circumstances (for example, varying the maturity of a debt instrument) and to override events of default or termination rights that might be invoked as a result of the exercise of the resolution powers, which could have a material adverse effect on the rights of holders of the equity and debt securities issued by the Issuer (including Noteholders), including through a material adverse effect on the price of such securities (such as the Notes). The Banking Act also gives the Bank of England the power to override, vary or impose contractual obligations between a UK bank, its holding company and its group undertakings for reasonable consideration, in order to enable any transferee or successor bank to operate effectively. There is also power for HM Treasury to disapply or modify laws (with possible retrospective effect), excluding provisions made by or under the Banking Act, to enable the powers under the Banking Act to be used effectively.

The determination that securities and other obligations issued by the Issuer (including the Notes) will be subject to loss absorption is likely to be inherently unpredictable and may depend on a number of factors which may be outside of the Issuer's control. This determination will also be made by the relevant Authority and there may be many factors, including factors not directly related to the Issuer or the Issuer, which could result in such a determination. Because of this inherent uncertainty and given that the relevant provisions of the Banking Act remain largely untested in practice, it will be difficult to predict when, if at all, the exercise of a loss absorption power may occur which would result in a principal write-off or conversion to other securities, including the ordinary shares of the Issuer. Moreover, as the criteria that the relevant Authority will be obliged to consider in exercising any loss absorption power provide it with considerable discretion, holders of the securities issued by the Issuer (including Noteholders) may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such power and consequently its potential effect on the Issuer and the securities issued by the Issuer (including the Notes).

The Authorities may implement their powers prior to insolvency of the Issuer

The purpose of the stabilisation options and the write-down and conversion power 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 stabilisation options may be exercised if (i) the relevant Authority is satisfied that a relevant entity (such as the Issuer) is failing, or is likely to fail (including where the relevant entity is failing or likely to fail to meet the threshold conditions specified in FSMA), (ii) following consultation with the other Authorities, the relevant Authority determines that it is not reasonably likely that (ignoring the stabilising options) action will be taken that will enable the relevant entity to satisfy those conditions, (iii) the Authorities consider the exercise of the stabilisation 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 relevant Authority 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 of the stabilisation options could be exercised prior to the point at which any insolvency proceedings with respect to the relevant entity could be initiated. For further information with respect to the exercise of the capital write-down tool, see "*Mandatory write-down and conversion of capital instruments may affect the Notes*".

The preferred resolution strategy for the Group is modified insolvency, as part of which the Issuer would enter into a corporate insolvency process which is modified as necessary to ensure that the objectives of the resolution regime, notably safeguarding deposits protected by the FSCS and ensuring continuity of banking services, can be achieved despite the firm entering insolvency. Once such objectives were fully achieved, the procedure would revert to an ordinary insolvency process.

Although the Banking Act provides for conditions to the exercise of any resolution powers, 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 Noteholders of their decision to exercise any resolution power. Therefore, Noteholders may not be able to anticipate a potential exercise of any such powers nor the potential effect of any exercise of such powers on the Issuer or the Notes.

Various actions may be taken in relation to the Notes without the consent of the Noteholders

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

- transferring the Notes out of the hands of the holders;
- delisting the Notes;
- writing down (which may be 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.

The relevant Authorities may exercise the bail-in tool under the Banking Act to recapitalise a relevant entity in resolution by allocating losses to its shareholders and unsecured creditors (which 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 favourable treatment than they would have received in ordinary insolvency proceedings of the relevant entity (known as the "no creditor worse off" safeguard). In addition, even in circumstances where a claim for compensation is established under the "no creditor worse off" safeguard in accordance with a valuation performed after the resolution action has been taken, it is unlikely that such compensation would be equivalent to the full losses incurred by the Noteholders in the resolution and there can be no assurance that Noteholders would recover such compensation promptly.

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. The exercise of such powers may result in the cancellation of all, or a portion, of the principal amount of, interest on, or any other amounts payable on, the Notes and/or the conversion of all or a portion of the principal amount of, interest on, or any other amounts payable on, the Notes into shares or other securities or other obligations of the Issuer 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, and such actions (or the perception that the taking of such actions may be imminent) could materially adversely affect the price or value of their investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes. In such circumstances, Noteholders may have a claim for compensation under one of the compensation schemes existing under, or contemplated by, the Banking Act, but there can be no assurance that Noteholders will have such a claim or, if they do, that they would thereby recover compensation promptly or equal to any loss actually incurred.

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

In addition to the stabilisation options which may be used in a resolution of an institution, the Banking Act requires that the relevant Authorities permanently write-down, or convert into CET1 instruments (which, in the case of the Issuer, could be core capital deferred shares), Tier 1 capital instruments and Tier 2 capital instruments (such as the Notes) at the point of non-viability of the relevant entity and before or together with the exercise of any stabilisation power.

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

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

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

If the Issuer were made subject to the SRR and, notwithstanding the Bank of England's current preferred resolution strategy for the Group which is a modified bank insolvency process, a partial transfer of its business to another entity were effected, the quality of the assets and the quantum of the liabilities not transferred and remaining with the Issuer (which may include the Notes) may result in a deterioration in the creditworthiness of the Issuer and, as a result, increase the risk that it may be unable to meet its obligations in respect of the Notes and/or eventually become subject to administration or insolvency proceedings pursuant to the Banking Act. In such circumstances, Noteholders may have a claim for compensation under one of the compensation schemes existing under, or contemplated by, the Banking Act, but there can be no assurance that Noteholders will have such a claim or, if they do, that they would thereby recover compensation promptly or equal to any loss actually incurred.

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

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

Beyond the goals of addressing banking crises pre-emptively and minimising taxpayers' exposure to losses (for example, by writing down relevant capital instruments before the injection of public funds into a financial institution), there is considerable uncertainty regarding the specific factors 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 some guidance as to how and when the resolution powers may be utilised by the relevant Authorities, the Banking Act allows for discretion and there is no certainty as to how the relevant Authorities will exercise any resolution powers with respect to a financial institution and/or securities issued by that institution. As there may be many factors, including factors outside of the Issuer's control or not directly related to it, 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 behaviour, including prices and volatility, and, as a result, the Notes are not necessarily expected to follow the trading behaviour associated with other types of securities.

Certain liabilities of the Issuer will by law rank in priority to the Notes in the event of a winding up or dissolution of the Issuer

As a result of changes to the UK building societies legislation (as described briefly below), from 1 January 2015 holders of Notes rank, in an insolvency of the Issuer, junior to member share accounts which are given preferential status under law (as described below), the claims of unsubordinated creditors of the Issuer (including in respect of Ordinary Non-Preferential Debts of the Issuer), as well as ranking junior to Secondary Non-Preferential Debts of the Issuer and all other obligations of the Issuer which are preferred, by law or otherwise, to Tertiary Non-Preferential Debts.

Section 90B of the Act (which was inserted by the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007) was brought into force with effect from 20 November 2014. HM Treasury exercised the power which was granted to it under Section 90B by making the Banks and Building Societies (Depositor Preference and Priorities) Order 2014 (the "**Depositor Preference Order**"), which entered into force on 1 January 2015. As a result of these changes, provision has been made by HM Treasury for the purpose of ensuring that, on the winding-up, or dissolution by consent, of a building society, any assets available for satisfying the society's liabilities to creditors (other than liabilities in respect of subordinated deposits; liabilities in respect of preferential debts; or any other category of liability which HM Treasury specifies in the order for these purposes) or to member share account holders (other than liabilities in respect of preferential debts and deferred shares) are applied in satisfying those liabilities *pari passu*.

The Depositor Preference Order (i) extended the scope of preferential debts in respect of deposits and (ii) ensured that any sums due to building society members in relation to their shareholding in respect of deposits that do not benefit from the depositor preference requirements will nevertheless rank *pari passu* with all other (non-preferred) senior unsecured creditors.

These changes also have the effect of granting:

- (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 FSCS (i.e. are eligible for protection and do not exceed the FSCS coverage limit (being, as at the date of these Admission Particulars, £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 (being, as at the date of these Admission Particulars,

£85,000) 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 (i.e. non-preferred) unsecured creditors in the event of an insolvency.

The claims of the holders of Notes therefore rank junior to the claims in respect of liabilities afforded preferential status under (i) or (ii) above and, accordingly, in the event of insolvency or resolution of the Issuer, the Notes would be available to absorb losses ahead of unsubordinated creditors of the Issuer (including in respect of Ordinary Non-Preferential Debts of the Issuer), as well as Secondary Non-Preferential Debts of the Issuer and all other obligations of the Issuer which are preferred, by law or otherwise, to Tertiary Non-Preferential Debts).

As a result, in the event of insolvency or winding up of the Issuer:

- (i) the assets of the Issuer would be applied first to satisfying in full all claims in respect of those deposits and share accounts which enjoy preferential status (as described above) before any recovery would be made on claims in respect of Ordinary Non-Preferential Debts of the Issuer (and the claims in respect of Ordinary Non-Preferential Debts of the Issuer would rank *pari passu* with those deposits and share accounts which are not afforded preferential status);
- (ii) no recovery would be made on claims in respect of Secondary Non-Preferential Debts of the Issuer unless and until the claims in respect of all deposit and share accounts, as well as claims in respect of Ordinary Non-Preferential Debts of the Issuer and any other unsubordinated liabilities ranking *pari passu* with or in priority to Ordinary Non-Preferential Debts of the Issuer, have first been satisfied in full; and
- (iii) no recovery would be made on claims in respect of the Notes unless and until the claims in respect of all Ordinary Non-Preferential Debts of the Issuer and any other unsubordinated liabilities ranking *pari passu* with or in priority to Ordinary Non-Preferential Debts of the Issuer, all Secondary Non-Preferential Debts of the Issuer and all other obligations of the Issuer which are preferred, by law or otherwise, to Tertiary Non-Preferential Debts have first been satisfied in full.

Therefore, in the event of an insolvency, winding up or resolution of the Issuer, there is a real risk that investors in Notes would lose some or the entire amount of their investment. Furthermore, the market price of Notes can be expected to be materially adversely affected if the Issuer's financial condition deteriorates such that the market anticipates the insolvency, winding up or resolution of the Issuer.

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

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

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

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

The Notes mature on 19 September 2034. The Issuer is under no obligation to redeem the Notes at any time prior thereto and the Noteholders have no right to require the Issuer to redeem or purchase any Notes at any time. Any redemption of the Notes prior to maturity and any purchase of any Notes by the Issuer will be subject always to the Issuer obtaining prior Supervisory Permission and to compliance with prevailing Regulatory Capital Requirements (as further described in Condition 6(b)), and the Noteholders may not be able to sell their

Notes in the secondary market (if at all) at a price equal to or higher than the price at which they purchased their Notes. Accordingly, investors in the Notes should be prepared to hold their Notes for a significant period of time.

The Notes are subject to early redemption at the option of the Issuer during a specified period ending on the Reset Date and also upon the occurrence of certain tax and regulatory events

Subject to the Issuer obtaining prior Supervisory Permission and to compliance with prevailing Regulatory Capital Requirements (as further described in Condition 6(b)), the Issuer may, at its option, redeem all (but not some only) of the Notes at their principal amount plus unpaid interest accrued to but excluding the relevant redemption date (a) from and including 19 June 2029 to and including the Reset Date or (b) upon the occurrence of a Tax Event or a Capital Disqualification Event.

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

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

It is not possible to predict whether the events referred to above will occur and lead to circumstances in which the Issuer may elect to redeem the Notes, and if so whether or not the Issuer will satisfy the conditions, or elect, to redeem the Notes. The Issuer may be more likely to exercise its option to redeem the Notes on the Reset Date if the Issuer's funding costs would be lower than the prevailing interest rate payable in respect of the Notes. If the Notes are so redeemed, there can be no assurance that Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Notes.

The Issuer may not be liable to pay certain taxes

All payments by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdiction (as at the date of these Admission Particulars, being the UK or any political subdivision or any authority thereof or therein having power to tax), unless the withholding or deduction is required by law. In that event, in respect of payments of interest (but not principal or any other amount), the Issuer will (subject to certain customary exceptions) pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders in respect of payments of interest after the withholding or deduction shall equal the amounts which would have been receivable in respect of interest on the Notes in the absence of such withholding or deduction.

Potential investors should be aware that neither the Issuer nor any other person will be liable for or otherwise obliged to pay, and the relevant Noteholders will be liable for and/or pay, any tax, duty, charge, withholding or other payment whatsoever which may arise as a result of, or in connection with, the ownership, any transfer and/or any payment in respect of the Notes, except as provided for in Condition 9.

In particular, the Notes do not provide for payments of principal to be grossed up in the event withholding tax of the Relevant Jurisdiction is imposed on repayments of principal. As such, the Issuer would not be required to pay any Additional Amounts under the terms of the Notes to the extent any withholding or deduction applied to payments of principal. Accordingly, if any such withholding or deduction were to apply to any payments of

principal under the Notes, Noteholders may receive less than the full amount due under the Notes and the market value of the Notes may be adversely affected.

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

The Notes will initially accrue interest at a fixed rate of interest to, but excluding, the Reset Date. From, and including, the Reset Date, however, the interest rate will be reset to the Reset Rate of Interest (as described in Condition 5). The Reset Rate of Interest could be less than the Initial Fixed Interest Rate, which could affect the amount of any interest payments under the Notes and so the market value of an investment in the Notes.

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

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

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

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

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

The conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority

The Conditions of the Notes will contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

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

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

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

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

Integral multiples of less than £100,000

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

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

Change of law

The Conditions of the Notes will be governed by the laws of England. No assurance can be given as to the impact of any possible judicial decision or change to the laws of England or administrative practice after the date of these Admission Particulars and any such change could materially adversely impact the value of any Notes affected by it. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of the Notes, which may have an adverse effect on an investment in the Notes

In addition, any changes in law or regulations that trigger a Tax Event or a Capital Disqualification Event would, subject to Condition 6(b), entitle the Issuer, at its option, to redeem all, but not some only of the Notes, as more particularly described under Conditions 6(d) and 6(e), respectively, or to substitute the Notes or vary the terms of the Notes so that they remain or become Qualifying Tier 2 Securities as provided under Condition 6(f).

Any such legislative and regulatory uncertainty could affect an investor's ability to accurately value the Notes and, therefore, affect the trading price of the Notes given the extent and impact on the Notes that one or more regulatory or legislative changes, including those described above, could have on the Notes.

Furthermore, the financial services industry continues to be the focus of significant regulatory change and scrutiny which may adversely affect the Group's business, financial performance, capital and risk management strategies. Such regulatory changes, and the resulting actions taken to address such regulatory changes, may have an adverse impact on the Group's, and therefore the Issuer's performance and financial condition. It is not

yet possible to predict the detail of such legislation or regulatory rulemaking or the ultimate consequences to the Group or the Noteholders, which could be material.

Noteholders agree to be bound by the exercise of UK Statutory Loss Absorption Powers by the Relevant Resolution Authority

In recognition of the resolution powers granted by law to the Relevant Resolution Authority, by acquiring the Notes, each Holder will acknowledge and accept that the Amounts Due arising under the Notes may be subject to the exercise of UK Statutory Loss Absorption Powers and will acknowledge, accept, consent and agree to be bound by the effect of the exercise of any UK Statutory Loss Absorption Powers by the Relevant 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 obligations of the Issuer 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 Trust Deed, if necessary, to give effect to the exercise of UK Statutory Loss Absorption Powers by the Relevant Resolution Authority.

Accordingly, UK Statutory Loss Absorption Powers 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 Relevant Resolution Authority may exercise UK Statutory Loss Absorption Powers without providing any advance notice to, or requiring the consent of, the Noteholders. In addition, under the Conditions, the exercise of UK Statutory Loss Absorption Powers by the Relevant Resolution Authority with respect to the Notes is not a Default under the Notes or a breach or default thereunder, or an event of default or default for any purposes.

Risks Related to the Market Generally

The secondary market generally

The Notes represent a new security for which no secondary trading market currently exists and there can be no assurance that one will develop. If a market 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. Illiquidity may have a severely adverse effect on the market value of Notes.

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

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

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

Moreover, although the Issuer and any subsidiary of the Issuer can (subject to Supervisory Permission and compliance with prevailing Regulatory Capital Requirements, as described further at Condition 6(b)) purchase Notes at any time, they have no obligation to do so. Purchases made by the Issuer could affect the liquidity of the secondary market of the Notes and thus the price and the conditions under which investors can negotiate these Notes on the secondary market.

In addition, Noteholders should be aware of the prevailing credit market conditions (which continue at the date of this Admission Particulars), whereby there is a general lack of liquidity in the secondary market which may result in investors suffering losses on the Notes in secondary resales even if there is no decline in the performance of the Notes or the assets of the Issuer. The Issuer cannot predict whether these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Notes and instruments similar to the Notes at that time.

Although an application has been made for the Notes to be admitted to trading on the ISM, there is no assurance that such application will be accepted or that an active trading market will develop.

Exchange rate risks and exchange controls

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

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

Interest rate risks

An investment in the Notes, which bear interest at a fixed rate (reset on the Reset Date), involves the risk that subsequent changes in market interest rates may adversely affect their value. The rate of interest will be reset on the Reset Date, and as such the reset rate is not pre-defined at the date of issue of the Notes; it may be different from the initial rate of interest and may adversely affect the yield of the Notes.

TERMS AND CONDITIONS OF THE NOTES

The following (excluding italicised paragraphs) is the text of the terms and conditions that, subject to completion and amendment, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Certificate.

The issue of the £20,000,000 12.250 per cent. Fixed Rate Reset Callable Subordinated Notes due 2034 (the “**Notes**”) of Newcastle Building Society (the “**Issuer**”) was authorised by resolutions of the Board of Directors of the Issuer passed on 1 June 2023, 29 June 2023 and 4 September 2023, and a resolution of a sub-committee of the Board of Directors of the Issuer passed on 13 September 2023. The Notes are constituted by a trust deed (the “**Trust Deed**”) dated 19 June 2024 between the Issuer and Citibank, N.A., London Branch (the person or persons for the time being the trustee or trustees under the Trust Deed, the “**Trustee**”) as trustee for the Holders (as defined below) of the Notes. These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Notes. Copies of the Trust Deed and of the agency agreement (the “**Agency Agreement**”) dated 19 June 2024 relating to the Notes between the Issuer, Citibank, N.A., London Branch as the initial principal paying agent (the person for the time being the principal paying agent, the “**Principal Paying Agent**”) and as the initial registrar (the person for the time being the registrar, the “**Registrar**”) and as the initial agent bank (the person for the time being the agent bank under the Agency Agreement, the “**Agent Bank**”), and the initial transfer agents named therein (the person(s) for the time being the transfer agent(s), the “**Transfer Agent(s)**”), and the Trustee, (i) are available for inspection during usual business hours at the principal office of the Trustee (presently at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and at the specified offices of the Principal Paying Agent, the Registrar and each of the Transfer Agents or (ii) may be provided by email to a Noteholder following their prior written request to the Trustee and the Principal Paying Agent and provision of proof of holding and identity (in a form satisfactory to the Trustee and the Principal Paying Agent). The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

1 Form, Denomination and Title

(a) Form and Denomination

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

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

(b) Title

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

In these Conditions, “**Noteholder**” or “**Holder**” means the person in whose name a Note is registered in the Register.

2 Transfers of Notes

(a) Transfer

A holding of Notes may, subject to Condition 2(d), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Notes to a person who is already a Noteholder, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries in the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(b) Delivery of New Certificates

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

(c) Transfer Free of Charge

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

(d) Closed Periods

No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Note, (ii) during the period of 15 days prior to (and including) any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(c), (iii) after the Notes have been called for redemption, or (iv) during the period of seven days ending on (and including) any Record Date.

3 Status

The Notes constitute direct and unsecured and unguaranteed obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of Holders in respect of, or arising under, their

Notes (including any damages awarded for breach of obligations in respect thereof) are subordinated as described in Condition 4.

4 Subordination

(a) Winding-Up

The Notes are direct, unsecured and unguaranteed obligations of the Issuer and, subject to the Insolvency Act, constitute Tertiary Non-Preferential Debt. The Notes rank *pari passu* without any preference among themselves. The 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 Notes will, in the event of the winding-up or dissolution of the Issuer (other than an Excluded Dissolution),

- (i) be subordinated in right of payment in the manner provided in the Insolvency Act and in the Trust Deed to all Senior Claims;
- (ii) rank at least *pari passu* with claims 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; and
- (iii) rank in priority to (a) claims in respect of obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital, (b) the Issuer's permanent interest bearing shares and core capital deferred shares (if any) and (c) in priority to any other claims that rank, or are expressed to rank, junior in right of payment to the Notes.

(b) Set-off

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

5 Interest Payments

(a) Interest Rate

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

Interest shall be payable on the Notes in equal instalments semi-annually in arrear on each Interest Payment Date as provided in this Condition 5.

Where it is necessary to compute an amount of interest in respect of any Note for a period which is less than a full Interest Period, the relevant day-count fraction shall be determined on the basis of the number

of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the product of (1) the actual number of days in the Interest Period (or, if the relevant accrual period falls within the short first Interest Period, the actual number of days from and including the date falling 6 months prior to the first Interest Payment Date) in which the relevant period falls (including the first such day but excluding the last) and (2) the number of Interest Periods normally ending in any year.

For the avoidance of doubt, the first Interest Period shall be a short first Interest Period for the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and the amount of interest payable in respect of each Calculation Amount on the first Interest Payment Date shall be £30.63.

(b) Interest Accrual

The Notes will cease to bear interest from (and including) the due date for redemption thereof pursuant to Condition 6(a), (c), (d) or (e) or the date of substitution thereof pursuant to Condition 6(f), as the case may be, unless, upon surrender of the Certificate representing any Note, payment of all amounts due in respect of such Note is not properly and duly made, in which event interest shall continue to accrue on the Notes, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date. Interest in respect of any Note shall be calculated per Calculation Amount and the amount of interest per Calculation Amount shall be equal to the product of the Calculation Amount, the relevant Interest Rate and the day-count fraction as described in Condition 5(a) for the relevant period, rounding the resultant figure to the nearest penny (half a penny being rounded upwards). The amount of interest payable in respect of each Note, is the aggregate of the amounts (calculated as aforesaid) for each Calculation Amount comprising the denomination of the Note.

(c) Initial Fixed Interest Rate

For the Initial Fixed Rate Interest Period, the Notes bear interest at the rate of 12.250 per cent. per annum (the “**Initial Fixed Interest Rate**”).

(d) Reset Rate of Interest

The Interest Rate will be reset (the “**Reset Rate of Interest**”) in accordance with this Condition 5 on the Reset Date. The Reset Rate of Interest will be determined by the Agent Bank on the Reset Determination Date as the sum of the Reset Reference Rate and the Margin.

(e) Determination of Reset Rate of Interest

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

(f) Publication of Reset Rate of Interest

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

If the Notes become due and payable pursuant to Condition 8(a), the accrued interest per Calculation Amount and the Reset Rate of Interest payable in respect of the Notes shall nevertheless continue to be

calculated as previously by the Agent Bank in accordance with this Condition 5 but no publication of the Reset Rate of Interest need be made unless the Trustee otherwise requires.

(g) Agent Bank and Reset Reference Bank

Whenever a function expressed in these Conditions to be performed by the Agent Bank and the Reset Reference Banks falls to be performed, the Issuer will select and maintain an Agent Bank and the number of Reset Reference Banks provided below.

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Agent Bank or any Reset Reference Bank with another leading investment, merchant or commercial bank or financial institution in London. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine the Reset Rate of Interest in respect of the Reset Period as provided in Condition 5(d), the Issuer shall forthwith appoint another leading investment, merchant or commercial bank or financial institution in London approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

(h) Determinations of Agent Bank Binding

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

6 Redemption, Substitution, Variation and Purchase

(a) Final Redemption

Unless previously redeemed, purchased and cancelled or (pursuant to Condition 6(f)) substituted, the Notes will be redeemed at their principal amount, together with accrued and unpaid interest on 19 September 2034 (the “**Maturity Date**”). The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition.

(b) Conditions to Redemption, Substitution, Variation and Purchase

Any redemption or purchase of the Notes or substitution or variation of the terms of the Notes, in each case in accordance with Conditions 6(c), (d), (e), (f) or (g) is subject to:

- (i) the Issuer obtaining prior Supervisory Permission therefor;
- (ii) in the case of any redemption or purchase (other than any purchase prior to the fifth anniversary of the Reference Date pursuant to Condition 6(g)), if and to the extent then required under prevailing Regulatory Capital Requirements, either: (A) the Issuer having replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or (B) the Issuer having demonstrated to the satisfaction of the Competent Authority that the own funds and, as applicable, eligible liabilities of the Issuer would, following such redemption or purchase, exceed its minimum applicable capital requirements (including any applicable buffer requirements) by a margin (calculated in accordance with prevailing Regulatory Capital Requirements) that the Competent Authority considers necessary at such time;
- (iii) in the case of any redemption prior to the fifth anniversary of the Reference Date, if and to the extent then required under prevailing Regulatory Capital Requirements in the case of redemption

upon a Tax Event, the Issuer having demonstrated to the satisfaction of the Competent Authority that the applicable change in tax treatment is material and was not reasonably foreseeable as at the Reference Date;

- (iv) in the case of any redemption prior to the fifth anniversary of the Reference Date upon the occurrence of a Capital Disqualification Event, the Issuer having demonstrated to the satisfaction of the Competent Authority that the relevant change in the regulatory classification of the Notes was not reasonably foreseeable as at the Reference Date; and
- (v) in the case of any purchase prior to the fifth anniversary of the Reference Date pursuant to Condition 6(g), either (A) the Issuer having, before or at the same time as such purchase, replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer, and the Competent Authority having permitted such action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances or (B) the relevant Notes are being purchased for market-making purposes in accordance with applicable Regulatory Capital Requirements.

Any refusal by the Competent Authority to give its Supervisory Permission as contemplated above shall not constitute a default for any purpose.

Notwithstanding the above conditions, if, at the time of any redemption, substitution, variation or purchase, the prevailing Regulatory Capital Requirements permit the redemption, substitution, variation or purchase of the Notes only after compliance with one or more alternative or additional pre-conditions to those set out above in this Condition 6(b), the Issuer shall comply with such other and/or, as appropriate, additional pre-condition(s).

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 6 (other than redemption pursuant to Condition 6(c)), the Issuer shall deliver to the Trustee (i) a certificate signed by two Authorised Signatories stating that the relevant requirements or circumstances giving rise to the right to redeem, substitute or, as appropriate, vary are satisfied and, in the case of a substitution or variation, that the terms of the relevant Qualifying Tier 2 Securities comply with the definition thereof in Condition 19 and (ii) in the case of a redemption pursuant to Condition 6(d) only, an opinion from a nationally recognised law firm or other tax adviser in the United Kingdom experienced in such matters to the effect that the relevant requirement or circumstance referred to in any of paragraphs (i) to (iv) (inclusive) of the definition of “**Tax Event**” applies (but, for the avoidance of doubt, such opinion shall not be required to comment on the ability of the Issuer to avoid such circumstance by taking measures reasonably available to it) and the Trustee may accept (and if so treated and accepted by the Trustee, shall be so treated and accepted by the Holders) such certificate and, where applicable, opinion as sufficient evidence of the satisfaction of the relevant conditions precedent in which event it shall be conclusive and binding on the Trustee and the Holders.

(c) Issuer’s Call Option

Subject to Condition 6(b), the Issuer may, by giving not less than 15 nor more than 60 days’ notice to the Holders in accordance with Condition 14, the Trustee, the Registrar and the Principal Paying Agent (which notice shall be irrevocable), elect to redeem all, but not some only, of the Notes at any time from and including 19 June 2029 to and including the Reset Date at their principal amount, together with any unpaid interest accrued to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Issuer shall redeem the Notes.

(d) Redemption Due to Taxation

If, prior to the giving of the notice referred to in this Condition 6(d), a Tax Event has occurred, then the Issuer may, subject to Condition 6(b) and having given not less than 15 nor more than 60 days' notice to the Holders in accordance with Condition 14, the Trustee, the Registrar, the Principal Paying Agent (which notice shall be irrevocable and shall specify the date for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with any unpaid interest accrued to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Issuer shall redeem the Notes.

(e) Redemption for Regulatory Purposes

If, prior to the giving of the notice referred to in this Condition 6(e), a Capital Disqualification Event has occurred, then the Issuer may, subject to Condition 6(b) and having given not less than 15 nor more than 60 days' notice to the Holders in accordance with Condition 14 the Trustee, the Registrar and the Principal Paying Agent (which notice shall be irrevocable and shall specify the date for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with any unpaid interest accrued to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Issuer shall redeem the Notes.

(f) Substitution or Variation

If a Tax Event or a Capital Disqualification Event has occurred, then the Issuer may, subject to Condition 6(b) and having given not less than 15 nor more than 60 days' notice to the Holders in accordance with Condition 14, the Trustee, the Registrar and the Principal Paying Agent (which notice shall be irrevocable and shall specify the date for substitution or variation, as the case may be, of the Notes) but without any requirement for the consent or approval of the Holders, at any time (whether before or following the Reset Date) either substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Qualifying Tier 2 Securities provided that such substitution or variation shall not itself give rise to any right of the Issuer to redeem the substituted or varied securities.

The Trustee shall (subject to the following provisions of this Condition 6(f) and subject to the receipt by it of the certificates of the Authorised Signatories and any applicable opinion referred to in Condition 6(b) above and in the definition of Qualifying Tier 2 Securities) agree to such substitution or variation. Upon the expiry of such notice, the Issuer shall either vary the terms of or substitute the Notes in accordance with this Condition 6(f), as the case may be. The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution of the Notes for, or the variation of the terms of the Notes so that they remain, or as appropriate, become, Qualifying Tier 2 Securities, provided that the Trustee shall not be obliged to participate in, or assist with, any such substitution or variation if the terms of the proposed alternative Qualifying Tier 2 Securities or the participation in or assistance with such substitution or variation would impose, in the Trustee's opinion, more onerous obligations upon it or expose it to any liabilities against which it has not been indemnified and/or secured and/or prefunded to its satisfaction. If, notwithstanding the above, the Trustee does not participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided in, as appropriate, Condition 6(d) or (e).

In connection with any substitution or variation in accordance with this Condition 6(f), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(g) Purchases

The Issuer may, subject to Condition 6(b), at any time purchase (or otherwise acquire), or procure others to purchase (or otherwise acquire) beneficially for its account, Notes in any manner and at any price. The Notes so purchased (or acquired), while held by or on behalf of the Issuer, shall not entitle the Holder to vote at any meetings of the Noteholders and shall be deemed not to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 8(c).

(h) Cancellation

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

(i) Trustee Not Obligated to Monitor

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 6 and will not be responsible to Holders for any loss arising from any failure by it to do so. Unless and until the Trustee has actual written notice of the occurrence of any event or circumstance within this Condition 6, it shall be entitled to assume that no such event or circumstance exists.

7 Payments

(a) Method of Payment

- (i) Payments of principal shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Notes represented by such Certificates) in like manner as provided for payments of interest in paragraph (ii) below.
- (ii) Interest on each Note shall be paid to the person shown in the Register at the close of business on the Business Day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Note shall be made in pounds sterling by transfer to a pounds sterling account maintained by the payee with a bank in London.

(b) Payments Subject to Laws

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

(c) Payments on Business Days

Payment is to be made by transfer to an account in pounds sterling, and payment instructions (for value the due date, or if that date is not a Business Day, for value the first following day which is a Business Day) will be initiated on the last day on which the Principal Paying Agent is open for business preceding the due date for payment or, in the case of payments of principal where the relevant Certificate has not

been surrendered at the specified office of any Transfer Agent or of the Registrar, on a day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) Delay in Payment

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

(e) Non-Business Days

If any date for payment in respect of any Note is not a Business Day, the Holder shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, “**Business Day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located.

8 Default

(a) Default

If the Issuer shall not make payment in respect of the Notes (in the case of payment of principal) for a period of seven days or more or (in the case of any interest payment or any other amount in respect of the Notes) for a period of 14 days or more, in each case after the date on which such payment is due, the Issuer shall be deemed to be in default (a “**Default**”) under the Trust Deed and the Notes and the Trustee in its discretion may, or (subject to Condition 8(c)) if so requested by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders or in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding shall, notwithstanding the provisions of Condition 8(b), institute proceedings for the winding-up of the Issuer.

In the event of the commencement of the winding-up of the Issuer or the commencement of the dissolution of the Issuer (whether or not instituted by the Trustee pursuant to the foregoing) (except in any such case an Excluded Dissolution), the Trustee at its discretion may, or (subject to Condition 8(c)) if so requested in writing by the Holders of at least one-quarter in principal amount of the Notes then outstanding or so directed by an Extraordinary Resolution of the Holders shall, give notice to the Issuer that the Notes are due and repayable immediately. In any such winding-up or dissolution, the rights and claims of the Holders (and of the Trustee on their behalf) against the Issuer in respect of, or arising under, each Note shall be for (in lieu of any other payment by the Issuer) an amount equal to the principal amount of the relevant Note, together with, to the extent not otherwise included within the foregoing, any other amounts attributable to such Note, including any accrued and unpaid interest thereon and any damages awarded for breach of any obligations in respect thereof.

(b) Enforcement

Without prejudice to Condition 8(a), the Trustee may at its discretion and without notice institute such steps, actions or proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Notes (other than any payment obligation of the Issuer under or arising from the Notes or the Trust Deed, including, without limitation, payment of any principal or interest in respect of the Notes, 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 these Conditions and the Trust Deed. Nothing in this Condition 8(b) shall, however,

prevent the Trustee instituting proceedings for the winding-up of the Issuer and/or proving and/or claiming in any winding-up or dissolution of the Issuer in respect of any payment obligations of the Issuer arising from the Notes or the Trust Deed (including any damages awarded for breach of any obligations) in the circumstances provided in Conditions 4(a) and 8(a).

(c) Entitlement of Trustee

The Trustee shall not be bound to take any of the actions referred to in Condition 8(a) or (b) above against the Issuer to enforce the terms of the Trust Deed or the Notes or any other action under or pursuant to the Trust Deed unless (i) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least one-quarter in principal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(d) Right of Holders

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

(e) Extent of Holders' Remedy

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

9 Taxation

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

- (a) held by or on behalf of a Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of having some connection with the Relevant Jurisdiction otherwise than merely by holding such Note or by the receipt of amounts in respect of such Note; or
- (b) to, or to a third party on behalf of a Holder who could lawfully avoid (but has not so avoided) such withholding or deduction by making (or procuring that a third party makes) a declaration of non-residence or other similar claim for exemption to the relevant tax authority in the place where the Certificate representing the Note is presented for payment; or
- (c) in respect of which the certificate representing such Note is presented for payment more than 30 days after the Relevant Date except to the extent that the Holder would have been entitled to such Additional Amounts on presenting the Note for payment on the last day of such period of 30 days.

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

Notwithstanding any other provision of these Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or 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 (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a “**FATCA Withholding**”). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

10 Prescription

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

11 Meetings of Holders, Modification, Waiver and Substitution

(a) Meetings of Holders

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

The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the principal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain of these Conditions (including, *inter alia*, the provisions regarding subordination referred to in Conditions 3 and 4, the terms concerning currency and due dates for payment of principal or interest payments in respect of the Notes and reducing or cancelling the principal amount of, or interest on, any Notes or varying the method of calculating the Interest Rate) and certain other provisions of the Trust Deed the quorum will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in principal amount of the Notes for the time being outstanding. The agreement or approval of the Holders shall not be required in the case of any variation of these Conditions and/or the Trust Deed required to be made in the circumstances described in Condition 6(f) in connection with the variation of the terms of the Notes so that they become, alternative Qualifying Tier 2 Securities, and to which the Trustee has agreed pursuant to the relevant provisions of Condition 6(f).

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

The Trust Deed provides that (i) a resolution passed, at a meeting duly convened and held, by a majority of at least 75 per cent. of the votes cast, (ii) a resolution in writing signed by or on behalf of the holders

of not less than 75 per cent. in principal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the Relevant Clearing System(s) (in a form satisfactory to the Trustee) by or on behalf of the Holder(s) of not less than 75 per cent. in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Holders. Any resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

(b) Modification of the Trust Deed

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

Any such modification, authorisation, waiver or determination shall be binding on the Holders, such modification shall be notified to the Holders as soon as practicable. No modification to these Conditions or any other provisions of the Trust Deed (including any variation or supplement in connection with a substitution pursuant to Condition 11(c)) shall become effective unless (if and to the extent required at the relevant time by the Competent Authority) the Issuer shall have given at least 30 days' prior written notice thereof to, and received Supervisory Permission therefor from, the Competent Authority (or such other period of notice as the Competent Authority may from time to time require or accept and, in any event, provided that there is a requirement to give such notice and obtain such Supervisory Permission).

(c) Substitution

- (i) Subject as provided in the Trust Deed and to the Issuer having obtained any requisite Supervisory Permission therefor, the Trustee, if it is satisfied that to do so would not be materially prejudicial to the interests of the Noteholders, may agree, without the consent of the Noteholders, to the substitution of any Successor in Business of the Issuer (not being in any such case a circumstance referred to in Condition 11(c)(ii) below) in place of the Issuer as principal debtor under the Trust Deed and the Notes, provided that (a) the obligations of such Successor in Business in respect of the Notes shall rank on a basis equivalent to that in respect of the Issuer's obligations in respect of the Notes and (b) the Notes shall be eligible as Tier 2 Capital of such Successor in Business.
- (ii) Subject as provided in the Trust Deed, in the event of a Permitted Reorganisation of the Issuer and subject to the Issuer having obtained any requisite Supervisory Permission therefor, the Successor Entity will upon such amalgamation or transfer, pursuant to such provisions, forthwith automatically be substituted in place of the Issuer as principal debtor under the Trust Deed and the Notes without any prior approval thereof being required from the Noteholders or the Trustee and unless such substitution is effected automatically by operation of law, the Issuer and (subject as provided below) the Trustee shall enter into one or more trust deeds supplemental to the Trust Deed to give effect to and/or to reflect such substitution, provided that where there is a proposed transfer in accordance with Section 97 of the Act and other such applicable provisions or pursuant to an order made under section 3 of the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007:

- (A) either (1) the Issuer satisfies the Trustee that the Successor Entity will be an authorised person for the purposes of the Financial Services and Markets Act 2000 (or any statutory modification or re-enactment thereof) or (2) if such evidence is not so delivered, such transfer is approved by an Extraordinary Resolution of the Holders;
- (B) in connection with such transfer, any variation or supplement to the Conditions must not be one which would cause the Notes to cease to be eligible as Tier 2 Capital; and
- (C) the circumstances in which such variation or supplement may take place are limited to dealing with matters arising out of the procedure by which the transfer takes place and the constitution of the transferee, which variation or supplement shall be effected by the execution of a trust deed supplemental to the Trust Deed and shall bind any Successor Entity as fully as if the Successor Entity had been named in the Trust Deed as principal debtor in place of the Issuer. A memorandum of any such supplemental trust deed shall be endorsed by the Trustee on the Trust Deed and by the Issuer on the duplicate of the Trust Deed.

Prior to the entry into such trust deed(s) supplemental to the Trust Deed, the Issuer shall deliver to the Trustee (i) a certificate signed by two Authorised Signatories stating that the relevant requirements or circumstances giving rise to the right to substitute are satisfied and the Trustee may accept (and if so treated and accepted by the Trustee, shall be so treated and accepted by the Holders) such certificate as sufficient thereof, in which event it shall be conclusive and binding on the Trustee and the Holders.

The Trustee shall not be obliged to enter into such trust deed(s) supplemental to the Trust Deed if such substitution pursuant to a Permitted Reorganisation would, in the Trustee's opinion, impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities in any material respect or reduce or amend the protective provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any material respect.

Any such substitution shall be binding on all Holders and any such substitution shall be notified to the Holders in accordance with Condition 14 as soon as practicable thereafter.

(d) Entitlement of the Trustee

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, substitution or determination), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 9 and/or any undertaking given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

12 Replacement of the Notes

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and, regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time

be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13 Rights of the Trustee

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

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

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

Conditions 3 and 4 apply only to amounts payable in respect of the Notes and nothing in Conditions 3, 4 or 8 shall affect or prejudice the payment of the costs (including legal fees), charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

The Trustee shall not be liable for any consequences of any application of UK Statutory Loss Absorption Powers (as provided in Condition 17(c) below) in respect of the Issuer or any of its affiliates or any Notes and shall not be required to take any action in connection therewith that would, in the Trustee's opinion, expose the Trustee to any liability or expense unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction; provided that nothing in this paragraph shall prevent any application of UK Statutory Loss Absorption Powers in respect of the Issuer or any of its affiliates or any Notes from taking effect, and each Holder by its acquisition of any Notes, authorises and instructs the Trustee to take such steps as may be necessary or expedient in order to give effect to any such application of UK Statutory Loss Absorption Powers.

14 Notices

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

15 Further Issues

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

16 Agents

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

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

Notice of any such termination or appointment and of any change in the specified offices of the Agents will be given to the Holders in accordance with Condition 14. If any of the Agent Bank, Registrar or the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Agency Agreement (as the case may be), the Issuer shall appoint, on terms acceptable to the Trustee, an independent financial institution acceptable to the Trustee to act as such in its place. All calculations and determinations made by the Agent Bank, Registrar or the Principal Paying Agent in relation to the Notes shall (save in the case of manifest error) be final and binding on the Issuer, the Trustee, the Agent Bank, the Registrar, the Principal Paying Agent and the Holders.

17 Governing Law and Jurisdiction

(a) Governing Law

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

(b) Jurisdiction

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

The foregoing paragraph is for the benefit of the Trustee and the Holders, and nothing in this Condition 17 prevents the Trustee or any Holder from taking Proceedings in any other courts with jurisdiction. To the extent allowed by law, Holders may take concurrent Proceedings in any number of jurisdictions.

(c) Acknowledgement of UK Statutory Loss Absorption Powers

Notwithstanding and to the exclusion of any other term of the Notes or any other agreements, arrangements or understanding between the Issuer and any Holder (which, for the purposes of this Condition 17(c), includes each holder of a beneficial interest in the Notes), by its acquisition of the Notes, each Holder acknowledges and accepts that any liability arising under the Notes may be subject to the exercise of UK Statutory Loss Absorption Powers by the Relevant Resolution Authority and acknowledges, accepts, consents to and agrees to be bound by:

- (i) the effect of the exercise of any UK Statutory Loss Absorption Powers by the Relevant Resolution Authority, which exercise (without limitation) may include and result in any of the following, or a combination thereof:
 - (A) the reduction of all, or a portion, of the Relevant Amounts in respect of the Notes;
 - (B) the conversion of all, or a portion, of the Relevant Amounts in respect of the Notes into shares, other securities or other obligations of the Issuer or another person, and the issue to or conferral on the Holder of such 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 or the Relevant Amounts in respect of the Notes; and
 - (D) the amendment or alteration of the Maturity Date of the Notes or amendment of the amount of interest payable on the Notes, or the date on which interest becomes payable, including by suspending payment for a temporary period; and
- (ii) the variation of the terms of the Notes, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of any UK Statutory Loss Absorption Powers by the Relevant Resolution Authority.

No repayment or payment of Relevant Amounts in respect of the Notes will become due and payable or be paid after the exercise of any UK Statutory Loss Absorption Powers by the Relevant Resolution Authority if and to the extent such amounts have been reduced, converted, cancelled, amended or altered as a result of such exercise.

Neither a reduction or cancellation, in part or in full, of the Relevant Amounts, the conversion thereof into another security or obligation of the Issuer or another person, as a result of the exercise of the UK Statutory Loss Absorption Powers by the Relevant Resolution Authority with respect to the Issuer, nor the exercise of the UK Statutory Loss Absorption Powers by the Relevant Resolution Authority with respect to the Notes will be an event of default or default for any purposes.

Upon the exercise of the UK Statutory Loss Absorption Powers by the Relevant Resolution Authority with respect to the Notes, the Issuer will provide a written notice to the Holders in accordance with Condition 14 as soon as practicable regarding such exercise of the UK Statutory Loss Absorption Powers. The Issuer will also deliver a copy of such notice to the Trustee for information purposes. Any delay or failure to deliver the notice in accordance with this paragraph will not affect the validity or enforceability of the UK Statutory Loss Absorption Powers.

18 Contracts (Rights of Third Parties) Act 1999

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

19 Definitions

In these Conditions:

“**Act**” means the Building Societies Act 1986 (as amended) (including, where applicable, any statutory modification thereof or re-enactment thereof or any statutory instrument, order or regulations made thereunder or under any such statutory modification or re-enactment);

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

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

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

“**Authorised Signatories**” means any two authorised signatories of the Issuer in accordance with the Trust Deed;

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

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

“**Capital Disqualification Event**” is deemed to have occurred if there is a change (which has occurred or which the Competent Authority considers to be sufficiently certain) in the regulatory classification of the Notes which becomes effective after the Reference Date and that results, or would be likely to result, in some of or the entire principal amount of the Notes ceasing to be included in the Tier 2 Capital of the Issuer (whether on an individual or consolidated basis) and for the avoidance of doubt, any amortisation of the Notes pursuant to Article 64 of the CRR (or any equivalent or successor provision) shall not comprise a Capital Disqualification Event;

“**Competent Authority**” means the Prudential Regulation Authority or such other authority having primary supervisory authority with respect to prudential matters concerning the Issuer;

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

“**CRR**” means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms amending Regulation (EU) No. 648/2012 as amended and as it forms part of domestic law by virtue of the EUWA and as amended or replaced from time to time;

“**Directors**” means the directors of the Issuer;

“**EUWA**” means the European Union (Withdrawal) Act 2018, as amended or replaced from time to time;

“**Excluded Dissolution**” means each of (i) a winding up or dissolution of the Issuer for the purpose of a reconstruction or amalgamation or the substitution in place of the Issuer of a Successor in Business the terms of which have previously been approved in writing by the Trustee acting pursuant to an Extraordinary Resolution of the Noteholders, and (ii) a dissolution of the Issuer by virtue of a Permitted Reorganisation provided that the Successor Entity is substituted in place of the Issuer as principal debtor under the Trust Deed and the Notes;

“**FATCA Withholding**” has the meaning given to it in Condition 9;

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

“**Initial Fixed Interest Rate**” has the meaning given to it in Condition 5(c);

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

“**Interest Payment Date**” means 19 March and 19 September in each year, starting on (and including) 19 September 2024;

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

“**Insolvency Act**” means the Insolvency Act 1986, as the same may be amended, supplemented or replaced from time to time;

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

“**Issue Date**” means 19 June 2024, being the date of the initial issue of the Notes;

“**Margin**” means 8.133 per cent.;

“**Maturity Date**” has the meaning given to it in Condition 6(a);

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

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

“**Ordinary Non-Preferential Debts**” means ‘ordinary non-preferential debts’ as defined in Section 387A(3)(a) of the Insolvency Act;

“**Permitted Reorganisation**” means any of:

- (a) an amalgamation of the Issuer and one or more other building societies under section 93 of the Act (or any successor provision thereto);
- (b) a transfer by the Issuer of all or substantially all of its engagements under section 94 of the Act (or any successor provision thereto);
- (c) a transfer by the Issuer of the whole of its business to a company under sections 97 to 102D of the Act (or any successor provisions thereto); or
- (d) a transfer by the Issuer of the whole of its business to a subsidiary of a mutual society pursuant to any order made by HM Treasury under section 3 of the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007 (or any successor provisions thereto);

“**pounds sterling**” or “**pence**” means the lawful currency of the United Kingdom;

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

“**Qualifying Tier 2 Securities**” means securities issued directly by the Issuer that:

- (a) have terms not materially less favourable to an investor than the terms of the Notes (as reasonably determined by the Issuer in consultation with an investment bank or financial adviser of international standing (which in either case is independent of the Issuer), and provided that a certification to such effect (including as to such consultation) of two Authorised Signatories shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without further enquiry and without liability to any person) prior to the issue or, as appropriate, variation of the relevant securities), and, subject thereto, which (1) contain terms which comply with the then current requirements of the Competent Authority in relation to Tier 2 Capital; (2) include terms which provide for the same Interest Rate and Interest Payment Dates from time to time applying to the Notes; (3) rank *pari passu* with the ranking of the Notes; (4) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption; (5) preserve any existing rights under these Conditions to any accrued interest or other amounts which have not been paid; (6) do not contain terms which provide for interest cancellation or deferral (provided that this paragraph (6) shall not preclude the inclusion of any provision analogous to Condition 17(c)); and (7) do not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares (provided that this paragraph (6) shall not preclude the inclusion of any provision analogous to Condition 17(c));

- (b) are (i) listed on the International Securities Market of the London Stock Exchange plc or (ii) listed on such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer and approved by the Trustee, such approval not to be unreasonably withheld or delayed; and
- (c) where the Notes had a published rating from a Rating Agency immediately prior to their substitution or variation and such rating was solicited by or on behalf of the Issuer, each such Rating Agency has ascribed, or announced its intention to ascribe, an equal or higher published rating to the relevant Qualifying Tier 2 Securities;

“**Rating Agency**” means any of S&P Global Ratings UK Limited, Fitch Ratings Ltd. or Moody’s Investors Services Limited and/or their respective successors or affiliates;

“**Recognised Stock Exchange**” means a recognised stock exchange as defined in section 1005 of the United Kingdom Income Tax Act 2007 as the same may be amended from time to time and any provision, statute or statutory instrument replacing the same from time to time;

“**Record Date**” has the meaning given to it in Condition 7(a)(ii);

“**Reference Date**” means the later of (i) the Issue Date and (ii) the latest date (if any) on which any further securities consolidated and forming a single series with the Notes have been issued pursuant to Condition 15;

“**Register**” has the meaning given to it in Condition 1(b);

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

“**Regulatory Capital Requirements**” means, at any time, any requirement contained in the law, regulations, requirements, guidelines and policies of (i) the Competent Authority or (ii) the United Kingdom, in each case, relating to capital adequacy and prudential (including resolution) supervision and applicable to the Issuer;

“**Relevant Amounts**” means the outstanding principal amount of the Notes, together with any accrued but unpaid interest and Additional Amounts due on the Notes. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any UK Statutory Loss Absorption Powers by the Relevant Resolution Authority;

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

“**Relevant Jurisdiction**” means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and/or interest on the Notes;

“**Relevant Resolution Authority**” means the resolution authority with the ability to exercise any UK Statutory Loss Absorption Powers in relation to the Issuer;

“**Reset Date**” means 19 September 2029;

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

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

“**Reset Rate of Interest**” has the meaning given to it in Condition 5(d);

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

“**Reset Reference Rate**” means in respect of the Reset Period, the percentage rate (rounded (if necessary) to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) determined by the Agent Bank on the basis of the Gilt Yield Quotations provided (upon request by or on behalf of the Issuer) by the Reset Reference Banks to the Issuer and the Agent Bank at approximately 11.00 a.m. (London time) on the Reset Determination Date in respect of the Reset Period. If at least four quotations are provided, the Reset Reference Rate will be the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Reset Reference Rate will be the arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Rate will be the quotation provided. If no quotations are provided, the Reset Reference Rate will be 4.117 per cent., where:

“**Benchmark Gilt**” means, in respect of the Reset Period, such United Kingdom government security customarily used in the pricing of new securities and having an actual or interpolated maturity date on or about the last day of the Reset Period as the Issuer, on the advice of an investment bank of international repute, may determine to be appropriate following any then-current guidance published by the International Capital Market Association at the relevant time; and

“**Gilt Yield Quotations**” means, with respect to a Reset Reference Bank and the Reset Period, the arithmetic mean (rounded (if necessary) to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered yields (on a semi-annual compounding basis) for the Benchmark Gilt in respect of the Reset Period, expressed as a percentage, as quoted by such Reset Reference Bank.

“**Secondary Non-Preferential Debts**” means ‘secondary non-preferential debts’ as defined in Section 387A(3)(b) of the Insolvency Act;

“**Senior Claims**” means the aggregate amount of all claims admitted in the winding up or dissolution of the Issuer which are claims of:

- (i) depositors and other unsubordinated creditors of the Issuer;
- (ii) (in respect of a winding up or dissolution while the Issuer remains a building society) investing members of the Issuer as regards the principal and interest due on share investments other than deferred share investments;
- (iii) creditors in respect of Ordinary Non-Preferential Debts of the Issuer, Secondary Non-Preferential Debts of the Issuer and all other obligations of the Issuer which are preferred, by law or otherwise, to Tertiary Non-Preferential Debts; and
- (iv) creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Issuer (other than those whose claims are in respect of obligations which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital or Tier 2 Capital or whose claims rank or are expressed to rank *pari passu* with, or junior to, the claims of Holders in respect of the Notes);

“**Subsidiary**” means, in relation to any other company, a company which is for the time being a subsidiary (within the meaning of Section 1159 of the Companies Act 2006 of Great Britain) of such other company;

“**Substitute Obligor**” has the meaning given to it in Condition 11(c);

“Successor Entity” means:

- (a) (in respect of an amalgamation of the Issuer and one or more other building societies under section 93 of the Act (or any successor provision thereto)), the resulting building society; or
- (b) (in respect of a transfer by the Issuer of all or substantially all of its engagements under section 94 of the Act (or any successor provision thereto), a transfer by the Issuer of the whole of its business to a company under sections 97 to 102D of the Act (or any successor provisions thereto) or a transfer of the whole of its business to a subsidiary of a mutual society pursuant to any order made by HM Treasury under section 3 of the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007 (or any successor provisions thereto)), the relevant transferee;

“Successor in Business” means:

- (i) a building society or other entity to whom the Issuer validly and effectually, in accordance with all enactments, orders and regulations in force for the time being and from time to time, transfers the whole or substantially the whole of its business, undertaking and assets for the purpose of assuming and conducting the business of the Issuer in its place; or
- (ii) any other entity which acquires in any other manner the whole or substantially the whole of the undertaking, property and assets of the Issuer and carries on as a successor to the Issuer the whole or substantially the whole of the business carried on by the Issuer prior thereto;

“Supervisory Permission” means, in relation to any action, such supervisory permission (or, as appropriate, waiver) as is required therefor under prevailing Regulatory Capital Requirements (if any);

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

- (i) in making any payments on the Notes, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts;
- (ii) the Issuer is no longer entitled to claim a deduction in respect of any payments in respect of the Notes in computing its taxation liabilities or the amount, or value to the Issuer, of such deduction is materially reduced;
- (iii) the Notes are prevented from being treated as loan relationships for United Kingdom tax purposes;
- (iv) the Issuer is not able to have losses or deductions set against the profits or gains, or profits or gains offset by the losses or deductions, of companies with which it is or would otherwise be so grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the Issue Date or any similar system or systems having like effect as may from time to time exist); or
- (v) the Notes or any part thereof are treated as a derivative or an embedded derivative for United Kingdom tax purposes,

and, in any such case, the Issuer cannot avoid the foregoing by taking measures reasonably available to it;

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

“**Tertiary Non-Preferential Debts**” means ‘tertiary non-preferential debts’ as defined in Section 387A(3)(c) of the Insolvency Act;

“**Tier 1 Capital**” and “**Tier 2 Capital**” have the respective meanings given to it (or any successor term) from time to time by the Competent Authority or in, or for the purposes of, the Regulatory Capital Requirements;

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

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

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

“**UK Statutory Loss Absorption Powers**” means any write-down, conversion, transfer, modification, suspension or similar or related power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the United Kingdom, relating to (i) Part 1 of the United Kingdom Banking Act 2009 and any other law or regulation applicable in the United Kingdom relating to the resolution of unsound or failing banks or other financial institutions, as amended or replaced from time to time and (ii) the instruments, rules and standards created thereunder, pursuant to which any obligation of the Issuer (or any affiliate of the Issuer) can be reduced, cancelled, modified, or converted into shares, other securities or other obligations of the Issuer or any other person (or suspended for a temporary period); and

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

NEWCASTLE BUILDING SOCIETY

Introduction

The principal office of Newcastle Building Society is 1 Cobalt Park Way, Wallsend, NE28 9EJ and its telephone number is 0191 244 2000.

The Society is the largest building society based in the North East of England and the seventh largest building society in the UK based on asset size, with Group assets as at 31 December 2023 of £6,223.2 million (as at 31 December 2022: £5,313.1 million).

Except as otherwise stated, financial information contained in this section entitled “Newcastle Building Society” is either (i) extracted from the audited consolidated 31 December 2022 annual accounts of the Society or (ii) extracted from the audited consolidated 31 December 2023 annual accounts of the Society or (iii) calculated using financial information extracted from such annual accounts.

The Society

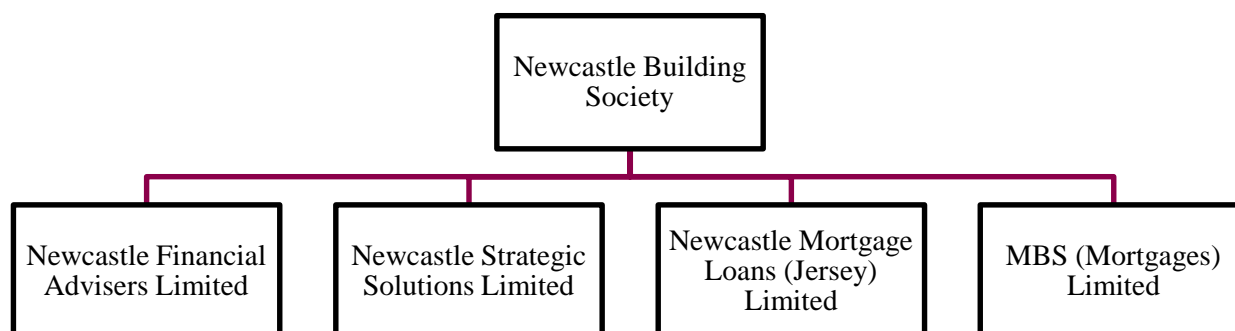
Grainger Building Society took over The City of Newcastle Building Society and The North Northumberland Benefit Building Society before merging with the Percy Building Society in 1957 to become the Grainger and Percy Building Society. It then absorbed the Victory Building Society in 1974 and changed its name back to the Grainger Building Society.

Newcastle Permanent Building Society acquired the assets of The North Eastern Permanent Building Society in 1942 followed by The Portland Building Society in 1961 and The St. Andrews Building Society in 1979.

In 1980, Newcastle Permanent Building Society merged with Grainger Building Society and so the Society was formed. The Society merged with the Nottingham Imperial Building Society in 2000 and the Universal Building Society in 2006 and on 1 July 2023, the Society acquired the engagements of Manchester Building Society by way of a merger under the Act.

The Society has a branch network focused on its region, which it defines as the North East of England, North Yorkshire and Cumbria. As at 31 December 2023, the Society operated a regional network of 31 branches, had over 367,000 members and the Group was an employer of over 1,650 employees.

Group Structure



At the Group’s core is the Society, which remains a savings and lending business putting its members at the heart of what it does. The Society also offers home insurance policies through its partner Fairmead Insurance Limited.

Newcastle Financial Advisers Limited (“NFAL”)

NFAL is the Society’s financial advice subsidiary, providing the Society’s members with access to regulated and trusted financial advice (NFAL is an appointed representative of The Openwork Partnership, thereby reducing any risk of mis-selling by the Society) across the Society’s branches. Demand for accessible, face-to-face meetings in the Society’s branches remains strong and customers have demonstrated they value this service even more during times of economic uncertainty and cost of living challenges. In 2023, NFAL achieved VouchedFor “Top Rated Adviser” status for a second consecutive year, with an average rating of 4.9 out of 5. As at 31 December 2023, NFAL had total assets of £4.2 million (31 December 2022: £4.5 million) and advised on a portfolio of approximately £0.5 billion on behalf of its customers.

Newcastle Strategic Solutions Limited (“NSSL”)

The Society’s subsidiary NSSL has been managing savings accounts on behalf of some of the UK’s leading savings providers since 2004. As a market leader, it is a successful business in its own right and brings scale and the capacity to invest in technology to the Group, while operating under the same culture and purpose principles as the Society. NSSL has supported the operations of numerous digital banks ranging from start-ups to subsidiaries of global brands and has supported them through early growth to balance sheets of multi-billion pounds sterling. The Society continues to deliver a major programme of digital investment into NSSL and ongoing deliverables include the re-platforming of account opening, funding and account management functionality, developed with a customer-centric focus across both application (app) and website channels. NSSL has been certified to ‘ISO 27001’ since 2018 for its information security management system covering process, personnel, physical and technical security. Growth in the NSSL business has led to an increase in its average number of employees from 652 to 859 during 2023. As at 31 December 2023, NSSL had total assets of £50.8 million (31 December 2022: £46.4 million) and managed over £47.4 billion of savings balances on behalf of its clients.

Newcastle Mortgage Loans (Jersey) Limited (“NMLJL”)

The Society’s subsidiary NMLJL was originally established for mortgage lending, however mortgages are no longer originated by this entity. As at 31 December 2023 and as at 31 December 2022, NMLJL had total assets of £0.8 million and £0.9 million, respectively.

MBS (Mortgages) Limited (“MBSL”)

MBSL was acquired by the Society on 1 July 2023 as part of the merger with Manchester Building Society. MBSL’s activities include the provision of back-book mortgage administration services. As at 31 December 2023, MBSL had total assets of £2.3 million.

Other controlled entity - Tyne Funding No.1 PLC

Tyne Funding No.1 PLC, incorporated on 30 September 2021, is a special purpose vehicle (SPV) established in order to facilitate the issuance of a fully retained buy-to-let securitisation in December 2021. Tyne Funding No.1 PLC is deemed to be controlled by the Society. Although the Society does not have a controlling shareholding, it has the right of variable returns from the entity and is able to influence these returns. As a result, Tyne Funding No.1 PLC is consolidated into the Group accounts. The carrying value of the entity in the Society’s Balance Sheet is nil pounds sterling.

All of the entities listed above are consolidated subsidiaries of the Society and are incorporated in the UK, with the exception of NMLJL, which is incorporated, and operates with no employees, in Jersey.

Merger with Manchester Building Society

The Society's merger with Manchester Building Society completed on 1 July 2023 and Manchester Building Society's results from this date are included in the Society's 2023 Financial Statements. For financial details in respect of the transfer of engagements from Manchester Building Society to the Society as at 1 July 2023 please refer to note 43 (Transfer of engagements) to the financial statements in the 2023 Financial Statements, which are incorporated by reference into these Admission Particulars. The merger has brought approximately 11,000 new members and 44 new colleagues to the Group, expanding the Society's geographic footprint into the North West. The full Newcastle Building Society product range was made available to Manchester Building Society members upon merger.

The merger brings additional net assets of £15.1 million, primarily made up of £108.9 million of lending and £120.7 million of member deposits. The assets and liabilities acquired include prime¹ and buy-to-let lending comparable to the Society's active lending books and also include a Euro denominated equity release book, commercial lending and credit impaired lending, which have been included in the Society's legacy lending.

The merger has improved the Group's capital and liquidity positions through the combination of both entities' assets, liabilities and regulatory capital. The combined results of Manchester Building Society and its subsidiary have been included within the member business's results for segmental reporting see note 9 to the financial statements in the 2023 Financial Statements, which are incorporated by reference into these Admission Particulars.

Constitution

The Society is registered under, and operates in accordance with, the Act, regulations made thereunder and the Rules of the Society (the "**Rules**") and the Memorandum of the Society (the "**Memorandum**"). The Society is an incorporated building society for the purposes of the Act and is authorised by the PRA and regulated by the FCA and the PRA under the firm reference number 156058.

The Society is a mutual organisation with members of the Society being retail shareholding members, borrowing members or both. Eligibility to vote at General Meetings is governed by the Act and by the Rules.

The affairs of the Society are conducted and managed by a Board of Directors (the "**Board**") who are elected and serve in accordance with the Rules and Memorandum. The Board is responsible to the members for the proper conduct of the affairs of the Society and appoints and supervises executives who are responsible to the Board for the day-to-day management of the Society.

Principal business areas

The Society's principal business activity as stated in its Memorandum is providing loans that are secured on residential property and are funded substantially by its members.

The Society obtains funds from the retail market through personal savings and deposit accounts and raises funds in the wholesale markets. It advances the funds raised mainly to borrowers on the security of first charge mortgages secured on freehold and leasehold property.

The other activities of the Society in its Memorandum are:

¹ The Society categorises prime lending as lower risk, higher quality lending to borrowers with a good financial track record and no adverse credit history (and where the Society has the first charge on the mortgaged property).

- (a) to carry on the businesses of banking, investment, insurance and the provision of financial services and facilities;
- (b) to carry on any businesses connected with the provision of housing or other accommodation or the provision of any services relating to housing or other accommodation;
- (c) to carry on any businesses in the fields of information technology, data processing and communications;
- (d) to carry on any businesses involving the provision of goods or other services (whether for consumer or others) or dealing in any property;
- (e) to act as a parent undertaking and investment body and to assist and co-ordinate the activities of any undertakings in which it holds an interest;
- (f) to promote and support community and charitable purposes; and
- (g) to carry on or participate in any business or other activity which, in the opinion of the Board or any duly authorised officer or employee of the Society, may conveniently be carried on in connection with any other activity of the Society or for developing, taking advantage of or protecting any of the property or income of the Society or any connected undertaking of the Society or managing any risks associated with the activities of the Society or any connected undertaking of the Society.

Purpose and strategy

The Society's purpose is '*connecting our communities with a better financial future*' (the "**Purpose**"). As a regional building society, the Society's strategy and leadership are shaped by the Society's Purpose in order to deliver a sustainable business to benefit both the region and the Society's customers over the long-term.

As a mutual business, the Society's success lies in the intersection between serving the interests of its stakeholder members and communities and delivering an efficient, profitable and resilient business model which is both valued by and compelling to its customers and which is financially robust.

The Society cares about building lasting, authentic relationships with its customers, which means that while digital and intermediary channels play a key role in distribution and service delivery, face-to-face contact and a thriving branch network are particularly important. The Society has been keen to innovate in this area and has a track-record in delivering a successful branch model in locations from which other banking institutions have previously withdrawn and as such the Society plays a key role in maintaining vibrant high streets across its heartland region.

The Society's strategy is built around five themes:

1. being truly Purpose-led and making sure that delivering on its Purpose is at the heart of the Society's strategy and that its business model is effectively 'Powered by Purpose';
2. building its brand through its communities, recognising that its success relies on the reputation the Society builds with its customers and the difference it makes for the communities it serves across its region;
3. growing the scale and efficiency of the business, increasing its impact and the long-term sustainability of its operations;
4. fostering mutual advocacy, whereby its customers genuinely value the services the Society provides and the contribution it makes to its community and region; they actively participate in the Society and become the Society's biggest advocates, encouraging others to become part of the Society; and

5. understanding that making a positive contribution to the region's environmental sustainability is no longer a matter of choice but a necessity.

Balance Sheet

The consolidated group balance sheet as at 31 December 2023 and 31 December 2022 is set out below:

Summary Group Balance sheet

	<u>31 December</u>	<u>31 December</u>
	<u>2023</u>	<u>2022</u>
	<i>£m</i>	
Assets		
Liquid assets.....	1,250.3	959.7
Derivatives and hedged risk adjustments	37.7	29.5
Loans and advances to customers	4,859.7	4,259.5
Other assets	75.5	64.4
Total assets	<u>6,223.2</u>	<u>5,313.1</u>
Liabilities		
Shares	5,014.3	4,220.8
Deposits and debt securities	801.0	752.9
Derivatives and hedged risk adjustments	61.7	55.0
Other liabilities.....	25.4	20.2
Capital and reserves	320.8	264.2
Total liabilities and equity	<u>6,223.2</u>	<u>5,313.1</u>

Mortgage Lending Activities

The Society originates mortgages through its 31 branches, a centralised direct to customer telephony mortgage advice operation and through intermediaries that include mortgage brokers and independent financial advisers throughout the UK (except Northern Ireland). Approximately 96 per cent. of the Society's mortgage business is sourced through professional intermediaries who operate throughout the UK (except Northern Ireland). Consequently, the lending book has a broad geographical spread. All underwriting decisions relating to residential lending are manual and are made centrally.

The net increase in loans and advances to customers after provisions and other accounting adjustments was £600.2 million in the year ended 31 December 2023, which included a £36.6 million reduction in the Society's exposure to the legacy lending book, resulting in loans and advances to customers after provisions and other accounting adjustments of £4,859.7 million as at 31 December 2023 (31 December 2022: £4,259.5 million).

Gross lending in the year ended 31 December 2023 was £1,148.7 million including £108.9 million of loans acquired through the merger with Manchester Building Society (year ended 31 December 2022: £1,089.8 million).

The Society's core residential mortgage book, before provisions and other accounting adjustments, grew by £644.4 million (including loans and advances acquired) during the year ended 31 December 2023 to £4,409.4 million (31 December 2022: £3,765.0 million).

Further details in respect of the Society's loan portfolios as at 31 December 2023 and 31 December 2022 are set out below:

Loan portfolios

	As at 31 December	As at 31 December	Movement for the year ended 31 December
	2023	2022	2023
	<i>£m</i>		
Core lending			
Prime residential	4,019.8	3,369.1	650.7
Retail BTL <£1 million (at origination).....	389.6	395.9	(6.3)
	<u>4,409.4</u>	<u>3,765.0</u>	<u>644.4</u>
Legacy lending			
Equity release	188.4	166.3	22.1
Specialist buy-to-let.....	13.3	14.0	(0.7)
Housing associations	211.9	270.9	(59.0)
Commercial	6.1	10.6	(4.5)
Other.....	23.6	18.1	5.5
	<u>4,852.7</u>	<u>4,244.9</u>	<u>607.8</u>
Provisions	(7.6)	(6.6)	(1.0)
Other accounting adjustments.....	14.6	21.2	(6.6)
Loans and advances to customers.....	<u>4,859.7</u>	<u>4,259.5</u>	<u>600.2</u>
	%	%	%
Weighted average LTV.....	67.4	67.7	(0.3)
Weighted average ILTV	64.2	59.0	5.2

The geographical split of the prime residential and retail buy-to-let mortgages <£1 million (at origination) as at 31 December 2023 is as follows:

	Prime residential	Prime Buy to let	Total core Lending	Prime residential	Prime Buy to let	Total core Lending
	<i>£m</i>			%		
Scotland.....	459.7	5.0	464.7	11.4	1.3	10.5
North East.....	464.6	6.3	470.9	11.6	1.6	10.7
Yorkshire.....	345.7	10.9	356.6	8.6	2.8	8.1

	Prime residential	Prime Buy to let	Total core Lending	Prime residential	Prime Buy to let	Total core Lending
		<i>£m</i>			<i>%</i>	
Geographic Region						
North West	456.2	18.9	475.1	11.3	4.9	10.8
East Midlands	281.6	14.3	295.9	7.0	3.7	6.7
West Midlands.....	278.5	15.5	294.0	6.9	4.0	6.7
Wales.....	128.8	4.3	133.1	3.2	1.1	3.0
East of England	326.1	40.7	366.8	8.1	10.4	8.3
South West	310.8	23.5	334.3	7.7	6.0	7.6
South East (Including London).....	965.9	250.1	1,216.0	24.0	64.2	27.6
Other	1.9	0.1	2.0	—	—	—
Total	<u>4,019.8</u>	<u>389.6</u>	<u>4,409.4</u>	<u>100</u>	<u>100</u>	<u>100</u>

Asset quality and risk appetite

The Society takes a conservative approach to credit risk in order to provide resilience to its business model.

The Group's credit risk in relation to its core lending (prime residential and retail buy to let mortgage portfolios) is closely correlated with significant rises in unemployment rates and falls in property values. Provisions against core lending exposures are based on the Society's provisioning model that considers a range of economic scenarios.

Whilst the Society has seen low levels of realised losses on the mortgage book over recent years and throughout 2023, the economic outlook continues to be uncertain. Inflation continued to rise and remained high longer than expected and property values in the UK have fallen slightly in 2023.

Provisions against core lending totalled £5.8 million and legacy lending £1.8 million as at 31 December 2023 (£3.4 million and £3.2 million, respectively, as at 31 December 2022).

Provisions for expected credit losses against core lending have therefore increased by £2.4 million during the year ended 31 December 2023. This comprised additional provisions of £1.9 million on newly originated and acquired mortgages reflecting the significant growth of the book, including some higher loan-to-value mortgages, additional provisions of £1.1 million in respect of increases in credit risk largely due to cost of living allowances and a reduction in provisions of £0.6 million due to natural churn on the book and the successful winding down of some highly provisioned loans.

The Society's legacy lending before provisions and other accounting adjustments, totalling £443.3 million as at 31 December 2023 (£479.9 million as at 31 December 2022) includes equity release mortgages (including £26.0 million of euro denominated Spanish equity release mortgages acquired from Manchester Building Society), specialist buy-to let, housing association and commercial lending books that are in run off with no further lending of these types currently contemplated.

The Society withdrew from new commercial lending in 2008. Lending balances on commercial property continue to reduce and the legacy commercial book remains performant though the Society continues to monitor the external macroeconomic influence.

During the year ended 31 December 2023, the Society has seen further capital redemptions on its legacy lending which have reduced provisions in respect to the Society's own legacy books by £1.9 million since 31 December

2022. Provisions of £0.3 million were added in the same period relating to legacy mortgages acquired from Manchester Building Society and a further £0.2 million was added to reflect the increase in credit risk across the legacy portfolios.

The Society does not advance sub-prime, self-certification or second-charge lending and has historically experienced arrears levels consistently below industry averages.

Excluding loans acquired from Manchester Building Society, the percentage of mortgages (by number and balance) in arrears by three months or more remain at low levels as at 31 December 2023 at 0.46 per cent. and 0.43 per cent., respectively (0.35 per cent. and 0.28 per cent., respectively, as at 31 December 2022). The mortgages acquired from Manchester Building Society have significantly higher arrears positions than the lending originated by the Society but make up only £103.0 million of total lending. Overall the Society has seen an increase in the number of loans in arrears from 0.35 per cent. as at 31 December 2022 to 0.87 per cent. as at 31 December 2023, and an increase in the balance of loans in arrears from 0.28 per cent. as at 31 December 2022 to 0.65 per cent. as at 31 December 2023.

Excluding loans acquired from Manchester Building Society, there were three properties in possession in relation to owner occupied loans as at 31 December 2023 (31 December 2022: nil) and one property in possession in relation to buy to let loans (31 December 2022: nil). Of the loans acquired as part of the merger with Manchester Building Society, one equity release property and one owner occupied property were in possession as at 31 December 2023.

Funding activities

The Society is predominantly funded through retail savings held by individuals with membership rights with wholesale funding used to provide a diversified funding source. The Society manages its funding levels, mix and duration carefully to ensure it has the required resources in place to meet its liquidity and lending targets.

Retail savings balances increased by £793.5 million during the year ended 31 December 2023 to £5,014.3 million (31 December 2022: £4,220.8 million).

Insured deposits (balances that are covered by the FSCS) made up 93 per cent. of the Society's retail savings as at 31 December 2023 (31 December 2022: 94 per cent.).

The ratio of shares and deposits to wholesale funding was 86 per cent. and 14 per cent. as at 31 December 2023 (85 per cent. and 15 per cent. as at 31 December 2022).

Wholesale funding, including drawdown on Bank of England funding schemes, increased by £48.1 million during the year ended 31 December 2023 to £801.0 million (31 December 2022: £752.9 million). The Group had £521.7 million TFSME drawings (£515.0 million excluding accrued interest) as at 31 December 2023 (31 December 2022: £518.0 million (£515.0 million excluding accrued interest)). TFSME drawings are due to be repaid over the course of 2024 and 2025. It is the Society's intention to refinance TFSME drawings with a mix of retail and medium term secured wholesale funding.

Wholesale Funding

	As at 31 December	
	2023	2022
	<i>£m</i>	
Amounts owed to credit institutions	538.7	577.1
Due to other customers	262.3	175.8
Total deposits and debt securities	801.0	752.9

Liquidity

Building societies are required to hold a proportion of their assets in a readily realisable form. The Society continues to manage its liquidity levels efficiently and comfortably within its regulatory limits. The liquidity the Society holds is low risk and high quality comprising assets held in cash or easily converted to cash through sale, market repo or via the various Bank of England liquidity schemes.

Liquid assets as a percentage of shares, deposits and liabilities (statutory liquidity percentage) as at 31 December 2023 were 21.5 per cent. (as at 31 December 2022: 19.3 per cent.).

The Liquidity Coverage Ratio (the “**LCR**”) measures unencumbered high quality liquid assets as a percentage of net cash outflows over a 30-day stress period. The LCR at 31 December 2023 was 227 per cent. (31 December 2022: 189 per cent.), comfortably in excess of the minimum regulatory limit of 100 per cent.

The Society complied with all regulatory and internal liquidity requirements throughout 2023.

The Society's liquidity resources as at 31 December 2023 and 31 December 2022 are set out below:

Liquid Assets

	As at 31 December	
	2023	2022
	<i>£m</i>	
Cash & Balances with the Bank of England	525.5	421.9
Loans and Advances to credit institutions	109.8	104.8
Debt securities	615.0	433.0
Total liquid assets	1,250.3	959.7

The Directors of the Society (the “**Directors**”) consider that the primary purpose of holding securities is to comply with prudential requirements. All transferrable debt securities are held with the intention of use on a continuing basis in the Group's activities. They are designated on initial recognition as assets held at fair value with changes recognised in other comprehensive income. Debt securities as at 31 December 2023 amounted to

£615.0 million, with a split of 12.2 per cent. gilts, 28.4 per cent. treasury bills, 15.8 per cent. supranationals, 14.4 per cent. “AAA” rated residential mortgage-backed securities and 29.2 per cent. “AAA” rated covered bonds. No provisions are held against either debt securities or loans and advances to credit institutions.

Capital

The Group’s total capital requirement/individual capital guidance is communicated annually by the PRA and consists of minimum regulatory capital requirements (Pillar 1 requirements) plus additional Society-specific capital requirements for credit, market, operational, counterparty, credit concentration, interest rate and pension obligation risk (Pillar 2A requirements) to address risks to the Society 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. The Group’s total capital requirement (Pillar 1, Pillar 2, plus buffers) at 31 December 2023 was 13.0 per cent. (at 31 December 2022: 12.1 per cent.). The Group complies with its total capital requirements plus capital buffers, as notified to it by the PRA.

Due to continued strong profitability, total capital resource increased from £259.3 million as at 31 December 2022 to £308.6 million as at 31 December 2023. In the same period, risk weighted assets increased from £1,909.9 million as at 31 December 2022 to £2,186.3 million as at 31 December 2023 primarily as a result of strong net lending.

As at 31 December 2023 the Group’s total capital ratio was 14.1 per cent. (31 December 2022: 13.6 per cent.) and its CET1 ratio was 12.5 per cent. (31 December 2022: 12.5 per cent.). The Group’s minimum regulatory capital requirement (Pillar 1) is 8%, of which 4.5% is CET1 at 31 December 2023.

The Society’s Basel III leverage ratio (on a transitional basis) was 4.4 per cent. at 31 December 2023 including central bank exposures and 4.8 per cent. excluding central bank exposures (31 December 2022: 4.5 per cent. and 4.8 per cent., respectively). The PRA expects UK firms to maintain their leverage ratio above 3.25 per cent.

The following table sets out the Group’s capital position as at 31 December 2023 and 31 December 2022:

	As at 31 December	
	2023	2022
	<i>£m</i>	
<i>Tier 1 capital</i>		
Common equity tier 1 capital.....	273.8	239.3
Additional tier 1	0.0	0.0
Total tier 1 capital	<u>273.8</u>	<u>239.3</u>
<i>Tier 2 capital</i>		
Tier 2 capital	34.8	20.0
Collective impairment allowance.....	0.0	0.0
Total tier 2 capital	<u>34.8</u>	<u>20.0</u>
Total capital	<u>308.6</u>	<u>259.3</u>
<i>Risk weighted assets</i>		

	As at 31 December	
	2023	2022
	<i>£m</i>	
Liquid assets.....	42.0	45.6
Loans and advances to customers	1,813.4	1,544.5
Other assets	68.7	57.4
Off balance sheet.....	79.5	114.3
Operational risk.....	182.7	148.1
Total risk weighted assets	2,186.3	1,909.9

Capital Ratios

Common Equity Tier 1 Ratio	12.5	12.5
Tier 1 Ratio	12.5	12.5
Total Capital Ratio	14.1	13.6
UK Leverage Ratio (excluding claims on central banks).	4.8	4.8

The Group holds capital, primarily through accumulated reserves, to protect itself against the risks inherent in the running of a building society: primarily credit risk inherent in mortgage lending, liquidity investment, operational risk and the ability to realise other balance sheet assets ultimately into cash.

The Group's CET1 ratio has remained stable in 2023 as growth in risk weighted assets due to higher lending levels have been offset by capital generated by the increase in retained earnings in the year as well as retained earnings of £15.1 million acquired as part of the merger with Manchester Building Society.

As at 31 December 2023, the Society has subscribed capital in the form of £34.8 million permanent interest-bearing shares ("PIBS") (£20.0 million as at 31 December 2022), which includes £14.8 million of PIBS where the Society was substituted as the issuer in place of Manchester Building Society following its merger with Manchester Building Society on 1 July 2023. Each of the PIBS currently receive Tier 2 capital treatment and are recorded at amortised cost, being:

- £10.0 million 12.625 per cent. permanent interest bearing shares (ISIN: GB0006361371) (amortised cost £10.0 million); and
- £10.0 million 10.75 per cent. permanent interest bearing shares (ISIN: GB0006371529) (amortised cost £10.0 million).
- £5.0 million 8.00 per cent. permanent interest bearing shares (ISIN: GB0008775057) (amortised cost £5.2 million); and
- £10.0 million 6.75 per cent. permanent interest bearing shares (ISIN: GB00B0712W15) (amortised cost £9.6 million).

Profitability

Despite an increasingly challenging external environment, the underlying business of the Group continues to perform with continued growth and profitability whilst continuing to operate within regulatory requirements as to capital and liquidity.

As at 1 January 2023, the Bank of England base rate was 3.5 per cent. increasing to 5.25 per cent. as at 31 December 2023. In a dynamic rate environment, the Society aimed to pass on changes in the Bank of England base rate to its savings and mortgage customers in a timely and fair manner.

On average, across the year 2023, the Society's savings rates were 3.03 per cent. compared to a market average of 2.46 per cent (*Source: CACI*). This equated to an additional £25 million of interest for the Society's savers over 2023.

The Society is also acutely aware of the difficulties faced by its mortgage customers coming to the end of a historically low fixed rate interest period and moving to a higher repayment rate, especially as inflation remained high and other living costs continued to increase. The Society was quick to sign up to the Government's Mortgage Charter and has provided customers with additional support options which helped keep mortgage arrears below the market average. The Society's mortgage Standard Variable Rate ("SVR") remained one of the most competitive on the market at 6.94 per cent., against a market average of 8.18 per cent. (*Source: Bank of England*), saving the Society's SVR borrowers over £2.3 million in interest payments over 2023.

The table below set out the summary Group income statement for the year ended 31 December 2023 and 31 December 2022:

Summary Group Income Statement

	Year ended 31 December 2023	Year ended 31 December 2022
	<hr/>	
	<i>£m</i>	
Net interest income	86.4	75.4
Other income and charges	51.5	45.2
Total operating income.....	137.9	120.6
Administration expenses	(100.1)	(83.5)
Depreciation	(6.4)	(5.7)
Operating profit before impairment and provisions.....	31.4	31.4
Impairment (charges)/reversals on loans and advances to customers.....	(1.1)	1.6
Impairment charges on tangible and intangible assets	(0.3)	(0.3)
Provision for liabilities and charges	(0.9)	(0.1)
Profit for the year before taxation	29.1	32.6

Group profit before taxation was £29.1 million for the year ended 31 December 2023 compared to £32.6 million for the year ended 31 December 2022.

Operating profit before impairment and provisions for the year ended 31 December 2023 remained stable at £31.4 million compared to £31.4 million for the year ended 31 December 2022.

Net interest income increased to £86.4 million for the year ended 31 December 2023 (year ended 31 December 2022: £75.4 million) and the Society's net interest margin was 1.50 per cent. (2022: 1.48 per cent.). Both increases were driven by the rising interest rate environment and significant balance sheet growth (mortgage balances after provisions and other accounting adjustments increased by £600.2 million and savings balances increased by £793.5 million, which included the balances transferred from Manchester Building Society). The impact of rising interest rates is mitigated by the Society hedging its exposure to interest rate risks using interest rate swaps.

Other income and charges, which includes income from NSSL and NFAL, were £51.5 million for the year ended 31 December 2023 compared to £45.2 million for the year ended 31 December 2022. NSSL continued to see growth in its underlying business in 2023 as balances under management continue to increase and existing clients added new services to their savings proposition. NFAL also delivered a strong performance over the year for both regulated sales and funds invested.

The Group's cost to income ratio increased to 77 per cent. as at 31 December 2023 (31 December 2022: 74 per cent.), whilst management expenses (comprising administration expenses and depreciation) increased by £17.3 million from £89.2 million for the year ended 31 December 2022 to £106.5 million for the year ended 31 December 2023. The Board considers the cost to income ratio to be a simple measure of financial progress against internal targets and the return achieved on investment in the business. The increase includes colleague costs (primarily cost-of-living incentives and increased headcount) and investment in NSSL in order to build capacity to drive the change agenda which includes the IT transformation which is improving customer functionality and also enhancing the Group's infrastructure to deliver the Group's strategy and ensures its core platforms are at a leading level to provide security of data and enhanced resilience.

The table below provides the reconciliation of operating profit before impairment and provisions to *underlying operating profit* for each of the years ended 31 December 2023 and 31 December 2022:

Underlying Operating Profit

	Year ended 31 December 2023	Year ended 31 December 2022
	<i>£m</i>	
Operating profit before impairment and provisions	31.4	31.4
(Gain)/Loss/gain in fair value of equity release mortgages.....	(0.5)	1.3
Hedge ineffectiveness	0.5	(8.8)
Revaluation of investments.....	0.2	2.1
Foreign exchange movements.....	(0.3)	0.0
Gains crystallised on sale of assets	0.0	(0.1)
IT transformation costs	0.2	0.0
Transactional costs.....	1.3	0.8
Underlying operating profit	<u>32.8</u>	<u>26.7</u>

The alternative performance measure of *underlying operating profit* is reported alongside the operating profit to give a clearer view of the underlying performance of the business. *Underlying operating profit* of the Group is determined by removing income or expenses arising from events or transactions distinct from the core activities of the Group (key underlying adjustments).

The key underlying adjustments in the year ended 31 December 2023 include the gain in the fair value of the equity release mortgage book of £0.5 million (in the year ended 31 December 2022: loss of £1.3 million), hedge ineffectiveness loss of £0.5 million (in the year ended 31 December 2022: gain of £8.8 million), IT transformation costs of £0.2 million relating to the extensive investment in IT infrastructure which is expensed in accordance with the relevant accounting standards, but represents long term investment in the group's operations and £1.3 million in merger related transactions costs (in the year ended 31 December 2022: £0.8 million).

Key non-financial highlights

During the year ended 31 December 2023, the Group:

- maintained the highest levels of customer service, with customer satisfaction² scores of 95 per cent. (2022: 95 per cent);
- continued to offer all members additional support through Helping Hand, a unique service delivered with Citizens Advice Gateshead. The Helping Hand service provides free, independent and rapid access to advice and information on a wide range of topics and issues, as well as emergency financial support for those struggling with the cost of living;
- announced support for the 'Mortgage Charter', being a set of commitments signed by the UK Government, the FCA and the Society (amongst others) which introduces extra measures of support for those experiencing mortgage payment difficulties;
- commitment to high streets and the provision of face-to-face financial services has not waived, leading innovation in branches through the Society's programme of co-location and the continued pilot with OneBanx, trialling their multi-bank kiosk in two locations;
- improved the accessibility of the Society's website by adding a range of tools, including on-screen reading aids, customisable styling, as well as live translation and interpreting features;
- contributed more than £350,000 to communities in areas that the Group operates, which includes a donation of more than £200,000 to the Newcastle Building Society Community Fund at the Community Foundation Tyne and Wear & Northumberland, enabling investment in the underlying endowment and the provision of grants totalling £170,253 to 45 local charities across its branch locations, focusing on the Society's key themes of employability, debt management, homelessness, food poverty and the environment;
- supported its communities with more than 10,000 hours of colleague volunteering, across a range of charitable causes;
- engaged with over 300 members at listening events across the region;

² Customer satisfaction is a measure of how the Group's products and services meet customer expectations. The Group gathers customer feedback through its 'Voice of the Customer Feedback' tool, 'Rant & Rave'. By way of example, over the course of 2023, the Group had 29,544 items of feedback from its customers. Customers are surveyed as a result of an interaction with the Group's businesses, (i.e. such as in branches, through the Group's mortgage contact centre, online, or in investment services). The Group produce files at the end of each day, which is sent to Rant & Rave who then circulate the surveys and collect feedback on behalf of the Group.

- created more than 200 new jobs, supporting the region through new and high quality employment opportunities;
- received re-accreditation as Investors in People Platinum, which demonstrates the Society's investment in colleagues and their opportunities to develop meaningful careers. The 'Platinum Award' has only been received by the top six per cent of firms assessed by 'Investors in People'; and
- was named Best Regional Building Society for the seventh consecutive year at the 'What Mortgage Awards', as voted for by 'What Mortgage' readers.

In January 2024, the Group became first UK mutual to be formally accredited and recognised as a "Good Mutual Business" under the Mutual Value Measurement framework.

Environmental

The Society fully recognises its responsibility to care for the environment and support a sustainable future for its communities. It is committed to making positive changes to improve its own sustainability but also to work with its members and partners to help them to reduce their environmental impact. The climate strategy is centred around supporting the orderly transition to a greener, net zero economy. To ensure the strategy remains relevant the Society conducts annual stress tests, scenario analysis and impact exercises focusing on hypothetical but plausible scenarios, to ensure that strategic deliverables are appropriate. The Society has identified that its financed emissions are its biggest emitter, and monitors the energy performance certificates (EPC) status of its mortgage book to gain better insight into the opportunities available to reduce these emissions. The Group is currently working closely with the United Nations with the intention to become a signatory to the UN Principles for Responsible Banking, which will include adopting a number of UN Sustainable Development Goals.

During 2023, the Society launched a carbon literacy programme, designed to upskill and educate colleagues and provide critical business areas with a clearer understanding of types of changes they can make in order to contribute to the bigger goals. The Society's internal environment taskforce has grown in numbers over the last twelve months, focused on driving operational change. In June 2023, the Society hosted its first 'Earth Week', a week-long series of activities for colleagues to increase awareness and knowledge around the impact that climate change has both globally and from a personal perspective. Although the Society's head office is powered by 100 per cent. hydro renewable electricity, the Society is actively exploring additional options to further reduce its carbon footprint, such as switching its fleet of vehicles to electric vehicles and determining how it can continue to improve the energy efficiency of its working environments.

Diversity Equity and Inclusion

The Society is committed to being an inclusive organisation, both as a place to work and in its approach to its communities. It helps its communities to create positive change through a variety of partnerships, including long-term relationships with the Newcastle United Foundation and the Prince's Trust. It also provides significant financial support to local good causes through its grants programme. In 2023, the Society refreshed its approach to diversity, equity and inclusion (DE&I) with the launch of its "Place to Be You" strategy which aims to grow a workforce that represents the diverse communities the Society serves and create a culture where every colleague feels valued and included for who they are and the unique perspectives they bring.

Selected Historical Financial Information

Set out below is a selection of historical financial information for the Group for each of the financial years ended 31 December 2018 to 31 December 2023.

Prior to 2021, the Group had previously accounted for the equity release mortgage (“ERM”) assets at amortised cost. It changed its accounting policy in 2021 to a fair value approach, as permissible under IFRS 4 and IAS 8. Relevant comparative balances prior to 2021 in the tables below have not been restated to reflect this change in accounting policy. ERM transitioned to IFRS 9 on 1 January 2023 and there was no change to the value of those assets as a result.

Summary group income statement

	Year Ended 31 December					
	2023	2022	2021	2020	2019	2018
	<i>£m</i>					
Net interest income.....	86.4	75.4	59.0	40.2	36.9	34.2
Other income and charges.....	51.5	45.2	40.5	39.0	37.5	30.3
Total operating income.....	137.9	120.6	99.5	79.2	74.4	64.5
Administrative expenses.....	(100.1)	(83.5)	(65.8)	(57.9)	(53.9)	(46.9)
Depreciation	(6.4)	(5.7)	(5.2)	(4.9)	(4.2)	(2.9)
Operating profit before impairments, provisions and exceptional Items.....	31.4	31.4	28.5	16.4	16.3	14.7
Impairment charges on loans and advances to customers	(1.1)	1.6	2.8	(10.5)	(1.5)	(1.5)
Impairment charges on tangible and intangible assets.....	(0.3)	(0.3)	(2.0)	(3.8)	0.0	0.0
Provision for liabilities and charges.....	(0.9)	(0.1)	(0.2)	(0.1)	(0.1)	0.1
Exceptional gain on purchase of Cobalt offices.....	0.0	0.0	0.0	0.0	0.0	0.0
Profit before taxation	29.1	32.6	29.1	2.0	14.7	13.3
Taxation.....	(7.0)	(6.0)	(5.2)	(0.6)	(3.3)	(2.5)
Profit for the period after tax	22.1	26.6	23.9	1.4	11.4	10.8

Group Balance Sheet

	Year Ended 31 December					
	2023	2022	2021	2020	2019	2018
	<i>£m</i>					
Assets						
Liquid assets.....	1,250.3	959.7	956.4	1109.7	862.5	692.4
Derivative financial instruments	50.9	90.4	14.5	0.0	0.1	3.5
Loans and advances to customers	4,859.7	4,259.5	3,794.5	3,477.9	3,295.1	2,772.2
Fair value adjustments for hedged risk .	(13.2)	(60.9)	62.1	214.3	186.6	175.9
Non-current assets available for sale.....	0.0	0.2	2.4	4.9	0.0	0.0
Intangible assets.....	12.8	10.2	7.5	5.7	2.5	0.0

Year Ended 31 December

	2023	2022	2021	2020	2019	2018
				<i>£m</i>		
Property, plant and equipment	31.5	29.1	31.0	34.8	46.2	38.8
Other assets	31.2	24.9	26.0	17.0	19.1	15.0
Total Assets	6,223.2	5,313.1	4,894.4	4,864.3	4,412.1	3,697.8
Shares	5,014.3	4,220.8	3,731.8	3,776.3	3,400.9	2,713.7
Deposits and debt securities	801.0	752.9	746.7	628.0	579.4	552.4
Fair value adjustments for hedged risk .	0.0	0.3	0.0	0.0	0.0	0.4
Derivative financial instruments	61.7	54.7	147.6	214.3	185.9	178.3
Other liabilities	25.4	20.2	24.2	18.2	20.1	12.9
Subordinated Liabilities	0.0	0.0	0.0	0.0	0.0	25.0
Subscribed capital	34.8	20.0	20.0	20.0	20.0	20.0
Reserves	286.0	244.2	224.1	207.5	205.8	195.1
Total Members' interest, equity and liabilities	6,223.2	5,313.1	4,894.4	4,864.3	4,412.1	3,697.8

Key Performance Indicators

The Board regards key performance indicators (KPIs) as an important way of monitoring achievement of short-term objectives and progress against the strategic plan.

The below table shows certain key performance indicators for each of the financial years ended 31 December 2018 to 31 December 2023:

	Year ended 31 December					
	2023	2022	2021	2020	2019	2018
Profit Before Tax	£29.1m	£32.6m	£29.1m	£2.0m	£14.7m	£13.3m
Common Equity Tier 1 Ratio	12.5%	12.5%	13.8%	14.1%	13.9%	15.7%
Leverage Ratio	4.4%	4.5%	4.5%	4.4%	4.7%	5.4%
Liquidity Coverage Ratio	227%	189%	216%	226%	179%	179%
Statutory Liquidity Percentage	21.5%	19.3%	21.4%	25.2%	21.7%	21.2%
Cost to Income Ratio ..	77%	74%	71%	79%	78%	77%
Net Interest Margin	150%	1.48%	1.21%	0.87%	0.91%	0.92%
Gross Mortgage Lending	£1,103m	£1,137m	£861m	£645m	£931m	£520m
Net Core residential lending	£575m*	£587m	£329m	£228m	£575m	£160m
Savings Balances	£5,014m	£4,221m	£3,732m	£3,776m	£3,401m	£2,714m

	Year ended 31 December					
	2023	2022	2021	2020	2019	2018
Customer Satisfaction ³	95%	95%	95%	95%	95%	98%
Colleague Turnover	12.4%	13.2%	15.5%	7.5%	10.1%	11.3%

*Excludes loans acquired from Manchester Building Society

Impairment and arrears data

The below table shows the impairment (charges)/reversals on loans and advances to customers for each of the years ended 31 December 2018 to 31 December 2023:

	Year ended 31 December					
	2023	2022	2021	2020	2019	2018
	<i>£m</i>					
Impairment charges on loans and advances to customers	(1.1)	1.6	2.8	(10.5)	(1.5)	(1.5)

The impairment charges for loans and advances to customers was £10.5 million in 2020. The majority of the increase in the provision reflected the then existing economic uncertainty from the impacts of Covid-19.

The below table shows the percentage of loans (by number of loans), in arrears by three months or more as at 31 December 2018 to 31 December 2023:

Loans in 3 months+ arrears by number of loans

	As at 31 December					
	2023 ⁽¹⁾	2022	2021	2020	2019	2018
	<i>%</i>					
Core lending	0.48	0.36	0.44	0.38	0.36	0.29
Legacy lending	0.20	0.08	0.11	0.14	0.04	1.36
Total lending	0.46	0.35	0.42	0.36	0.33	0.30

⁽¹⁾ The 2023 percentages exclude loans acquired from Manchester Building Society in 2023.

³ Customer satisfaction is a measure of how the Group's products and services meet customer expectations. The Group gathers customer feedback through its 'Voice of the Customer Feedback' tool, 'Rant & Rave'. By way of example, over the course of 2023, the Group had 29,544 items of feedback from its customers. Customers are surveyed as a result of an interaction with the Group's businesses, (i.e. such as in branches, through the Group's mortgage contact centre, online, or in investment services). The Group produce files at the end of each day, which is sent to Rant & Rave who then circulate the surveys and collect feedback on behalf of the Group.

Recent Developments

On 2 May 2024, the Society announced voluntary and fully discretionary proposals (the “**Proposals**”) for the ultimate benefit of certain of its members whose trusts were adversely affected by the collapse of Philips Trust Corporation (“**PTC**”) and who had originally been referred to a predecessor firm of PTC by the Society. The Proposals are expected to have a limited impact on the overall capital position of the Group and are expected to have no impact on the core business strategy, investment plans and underlying profitability of the Society. Excluding all other movements in the capital resources since 31 December 2023, the Society estimates that the impact of the above on the CET1 capital ratio of the Group as at 31 May 2024, taking account of estimated capital generated in the current year to 31 May 2024, will be no greater than 10 basis points. This estimate takes in to account a temporary deferred tax adjustment attributable to the impact of the Proposals and assumes the underlying profitability of the Society continues at its current rate in the year to date. It also assumes full take up of the Proposals by all eligible affected customers and no level of recoveries from the administrators of PTC. To the extent there is not a full take up and /or there are any such recoveries from the administrators of PTC, the adverse capital impact of the Proposals will be less. The terms of the Proposals are subject to absolute caps both in terms of aggregate costs and duration.

Management

Board of Directors

The affairs of the Society are conducted and managed by the Board who are responsible for the Society’s strategy and policy and are elected and serve in accordance with the Rules and Memorandum. The Board is responsible to the members for the proper conduct of the affairs of the Society and in turn appoints and monitors executives who are responsible for the day-to-day management of the Society.

The business address of the Society’s Directors is 1 Cobalt Park Way, Wallsend, NE28 9EJ. The members of the Board, their roles within the Society and their principal outside activities are, as at the date of these Admission Particulars, as set out below.

Name	Position within the Society	Other Directorships
GA Bennett.....	Non-Executive Director	MBS (Mortgages) Limited Darkwood Croft Management Company Limited MAM Properties Limited
RTS Campbell	Non-Executive Director	New Vantage Consulting Limited Ignite Consulting Trustee Limited
MJ Faull	Non-Executive Director	IQUW Syndicate Management Limited The Line Art Walk The Line Public Art Walk CIC
BP Glover.....	Non-Executive Director	Newcastle Strategic Solutions Limited Advance Mortgage Funding Limited First Complete Limited Personal Touch Financial Services Limited United Trust Bank Limited

Name	Position within the Society	Other Directorships
AS Haigh.....	Chief Executive Officer and Executive Director	Community Foundation serving Tyne & Wear and Northumberland North East England Chamber of Commerce
A Laverack (Business name Anne Shiels)	Non-Executive Director	Newcastle Financial Advisers Limited Anne Shiels Consulting Limited
S Miller	Chief Customer Officer and Executive Director	Newcastle Financial Advisers Limited Newcastle Strategic Solutions Limited
JDA Ramsbotham CBE.....	Chair and Non-Executive Director	Newcastle Strategic Solutions Limited Newcastle Financial Advisers Limited High Doctor Pasture Caravan Park Limited Altruism Limited Willan Trustee Limited
DA Samper	Chief Financial Officer and Executive Director	
MR Thompson	Non-Executive Director	Atlas Cloud Limited Newcastle United Foundation The Clinkard Group Limited North Standard Limited (Formerly known as The North of England Protecting & Indemnity Association Limited) Tyne and Wear Building Preservation Trust Limited

The Executive Directors have service contracts that can be terminated at any time by the Society on six months' notice.

There exists no potential conflicts of interest between (i) any duties owed to the Society by any member of the Board and (ii) their private interests and/or other duties.

Auditors

Deloitte LLP, of The Hanover Building, Corporation Street, Manchester, M4 4AH (registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales) are the auditors to the Group.

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

Words and expressions defined in the “Terms and Conditions of the Notes” above or elsewhere in these Admission Particulars have the same meanings in this section. The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System.

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

Initial Issue of Certificates

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

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

Accountholders

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (an “**Alternative Clearing System**”) as the holder of a Note represented by a Global Certificate (an “**Accountholder**”) (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg or such other Alternative Clearing System (as the case may be) as to the outstanding principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the term “**Noteholders**” and references to “**holding of Notes**” and to “**holder of Notes**” shall be construed accordingly) for all purposes other than with respect to payments on such Notes, for which purpose the Registered Holder shall be deemed to be the holder of such aggregate principal amount of the Notes in accordance with and subject to the terms of the Global Certificate and the Trust Deed.

Each Accountholder must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to or to the order of the Registered Holder and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Each Accountholder shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by the Global Certificate and such obligations of the Issuer will be discharged by payment to or to the order of the Registered Holder in respect of each amount so paid.

Exchange of the Global Certificate

The following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or any Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the Relevant Clearing System.

Transfers of the holding of Notes represented by the Global Certificate pursuant to Condition 2(a) may only be made in part:

- (i) if the Notes represented by the Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and the Issuer has been notified that any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or has announced an intention permanently to cease business or does in fact do so and no successor clearing system is available;
- (ii) upon or following any failure to pay principal in respect of any Notes when it is due and payable; or
- (iii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to (i) or (ii) above, the Accountholder has given the Registrar not less than 30 days' notice at its specified office of such Accountholder's intention to effect such transfer. Where the holding of Notes represented by the Global Certificate is only transferable in its entirety, the Certificate issued to the transferee upon transfer of such holding shall be a Global Certificate. Where transfers are permitted in part, Certificates issued to transferees shall not be Global Certificates unless the transferee so requests and certifies to the Registrar that it is, or is acting as a nominee for, Clearstream, Luxembourg, Euroclear and/or an Alternative Clearing System.

Transfers

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear and/or, Clearstream, Luxembourg and their respective participants in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg and their respective direct and indirect participants.

Calculation of Interest

For so long as all of the Notes are represented by the Global Certificate and such Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg, interest payable to the Registered Holder shall be calculated on the basis of the aggregate principal amount of the Notes represented by the Global Certificate, and not per Calculation Amount as provided in Condition 5.

Payments

For so long as the Registered Holder is shown in the Register as the holder of the Notes evidenced by a Global Certificate, the Registered Holder shall (subject as set out above under "*Accountholders*") in all respects be entitled to the benefit of such Notes and shall be entitled to the benefit of the Agency Agreement. Payments of all amounts payable under the Conditions in respect of the Notes as evidenced by a Global Certificate will be made to the Registered Holder pursuant to the Conditions.

Distributions of amounts with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Principal Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

Upon any payment of any amount payable under the Conditions the amount so paid shall be entered by the Registrar on the Register, which entry shall constitute prima facie evidence that the payment has been made.

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which (notwithstanding Condition 7) shall be on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

Cancellation

Cancellation of any Note following its redemption or purchase by the Issuer will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders and by the annotation of the appropriate schedule to the Global Certificate.

Notices

For so long as the Notes are represented by the Global Certificate and such Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg, notices may be given to the Noteholders by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to their respective accountholders in substitution for publication as required by the Conditions provided that, for so long as the Notes are admitted to trading on the ISM or on any other stock exchange, notices will also be given in accordance with any applicable requirements of such stock exchange. Any notice shall be deemed to have been given on the date of delivery or publication which, in the case of communication through Euroclear and Clearstream, Luxembourg, shall mean the date on which the notice is delivered to Euroclear and Clearstream, Luxembourg.

Prescription

Claims against the Issuer in respect of any amounts payable in respect of the Notes represented by the Global Certificate will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the due date.

Meetings

For the purposes of any meeting of the Noteholders, the holder of the Notes represented by the Global Certificate shall be treated as being entitled to one vote in respect of each £1.00 in principal amount of the Notes.

Trustee's Powers

In considering the interests of Noteholders while the Global Certificate is held on behalf of, or registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Certificate and may consider such interests as if such accountholders were the holders of the Notes represented by the Global Certificate.

Written Resolution and Electronic Consent

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

- (i) where the terms of the proposed resolution have been notified to the Noteholder through the Relevant Clearing System(s), each of the Issuer and the Trustee shall be entitled to rely upon approval of such resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the Relevant Clearing System(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding ("**Electronic Consent**"). None of the Issuer or the Trustee shall be liable or responsible to anyone for such reliance; and
- (ii) where Electronic Consent is not being sought, for the purpose of determining whether a written resolution has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by (a)

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

Euroclear and Clearstream, Luxembourg

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

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used for general corporate purposes of the Group, to further strengthen the Issuer's regulatory capital base and to support the continued growth of the Group.

TAXATION

General

The comments below are of a general nature and are not intended to be exhaustive. They assume that there will be no substitution of the Issuer or further issues of securities that will form a single series with the Notes, and do not address the consequences of any such substitution or further issue (notwithstanding that such substitution or further issue may be permitted by the terms and conditions of the Notes). Any Noteholders who are in doubt as to their own tax position should consult their professional advisers. In particular, Noteholders should be aware that the tax legislation of any jurisdiction where a Noteholder is resident or otherwise subject to taxation (as well as the jurisdictions discussed below) may have an impact on the tax consequences of an investment in the Notes including in respect of any income received from the Notes.

United Kingdom

The comments in this part are based on current United Kingdom tax law as applied in England and Wales and HM Revenue & Customs practice (which may not be binding on HM Revenue & Customs), in each case as at the latest practicable date before the date of these Admission Particulars. They relate only to United Kingdom withholding tax on payments of interest (as such term is understood for the purposes of United Kingdom tax law). They do not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. They do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who hold their Notes as investments (regardless of whether the holder also carries on a trade, profession or vocation through a permanent establishment, branch or agency to which the Notes are attributable) and are the absolute beneficial owners thereof. (In particular, Noteholders holding their Notes via a depositary receipt system or clearance service should note that they may not always be the beneficial owners thereof.) Certain classes of persons such as dealers, certain professional investors, or persons connected with the Issuer may be subject to special rules and this summary does not apply to such Noteholders.

Interest on the Notes

While the Notes are and continue to be admitted to trading on a multilateral trading facility operated by a UK, Gibraltar or EEA regulated recognised stock exchange within the meaning of Sections 987 and 1005 Income Tax Act 2007, payments of interest by the Issuer may be made without withholding or deduction for or on account of United Kingdom income tax. The ISM is a multilateral trading facility operated by a UK, Gibraltar or EEA regulated recognised stock exchange (the London Stock Exchange) for these purposes.

If the Notes cease to be admitted to trading, interest which has a United Kingdom source will generally be paid by the Issuer under deduction of income tax at the basic rate (currently 20 per cent.) unless: (i) another relief applies under domestic law; or (ii) the Issuer has received a direction to the contrary from HM Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

If interest were paid under deduction of United Kingdom income tax (e.g. if the Notes lost their admission to trading), Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

Where Notes are to be, or may fall to be, redeemed at a premium as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest that would be subject to the rules on United Kingdom withholding tax outlined above.

United States

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as “**FATCA**”, a “foreign financial institution” may be required to withhold on certain payments it makes (“**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. Certain aspects of the application of FATCA 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, proposed regulations have been issued that provide that 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. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Moreover, Notes that are not treated as equity for U.S. federal income tax purposes and that have a defined term that are not issued more than 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 in respect of foreign passthru payments unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional notes (as described under “*Terms and Conditions of the Notes—Further Issues*”) that are not distinguishable from outstanding 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 outstanding Notes issued during the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers 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.

SUBSCRIPTION AND SALE

The Sole Manager has, pursuant to a Subscription Agreement (the “**Subscription Agreement**”) dated 17 June 2024, agreed to subscribe or procure subscribers for the Notes at the issue price of 100.000 per cent. of their principal amount less a combined management and underwriting commission, subject to the provisions of the Subscription Agreement. The Issuer will also reimburse the Sole Manager in respect of certain of their expenses, and has agreed to indemnify the Sole Manager against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment of the issue price to the Issuer.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to or for the account or benefit of a U.S. person except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States to persons other than U.S. persons as defined in Regulation S under the Securities Act (“**Regulation S**”) in offshore transactions in reliance on, and in compliance with, Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S.

The Sole Manager has represented, warranted and agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date, within the United States or to, or for the account or benefit of, U.S. persons, and they will have sent to each dealer to which they sell Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

The Sole Manager has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA would not, if the Issuer were not an authorised person under the FSMA, apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the UK.

Prohibition of Sales to UK Retail Investors

The Sole Manager has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the UK. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR.

Prohibition of Sales to EEA Retail Investors

The Sole Manager has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

General

The Sole Manager has undertaken to the Issuer that, to the best of its knowledge and belief, it will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes these Admission Particulars or any related offering material, in all cases at its own expense. It will also ensure that, to the best of its knowledge and belief, no obligations are imposed on the Issuer in any such jurisdiction as a result of any of the foregoing actions.

This document does not constitute an offer and may not be used for the purposes of any offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised.

None of the Issuer or the Sole Manager represents that the Notes may at any time lawfully be sold in or from any jurisdiction in compliance with any applicable registration requirements or pursuant to an exemption available thereunder or assumes any responsibility for facilitating such sales.

Persons into whose hands these Admission Particulars come are required by the Issuer and the Sole Manager to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish these Admission Particulars or any other offering material relating to the Notes, in all cases at their own expense.

GENERAL INFORMATION

1. An application will be made to the London Stock Exchange for the Notes to be admitted to trading on the ISM. The ISM is not a regulated market within the meaning of UK MiFIR. Such admission to trading is expected to be effective on or immediately following the Issue Date.
2. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of the Notes was authorised by resolutions of the Board of Directors of the Issuer passed on 1 June 2023, 29 June 2023 and 4 September 2023, and by a resolution of a sub-committee of the Board passed on 13 September 2023.
3. Save as disclosed on page 84 under the section entitled “Recent Developments”, there has been no significant change in the financial or trading position of the Issuer or the Group and no material adverse change in the financial position or prospects of the Issuer or the Group since 31 December 2023.
4. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of these Admission Particulars which may have or have had in such period or in the recent past had, significant effects on the financial position or profitability of the Issuer or the Group.
5. The Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records) with a Common Code of 267572313. The International Securities Identification Number (“ISIN”) for the Notes is XS2675723139.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.
6. The Legal Entity Identifier code of the Issuer is 549300T1JIP3LZ5TZ694.
7. Based upon an issue price of 100.000 per cent. of the principal amount of the Notes, the yield of the Notes for the period from (and including) the Issue Date to (but excluding) the Reset Date, is 12.262 per cent. per annum (on a semi-annual basis). The yield is calculated at the Issue Date and is not an indication of future yield.
8. For so long as the Notes remain outstanding, copies of the following documents will be available on the website of the Issuer (<https://www.newcastle.co.uk/media-centre/financial-results>):
 - (a) the Trust Deed (which includes the form of the Global Certificate);
 - (b) the Memorandum and Rules;
 - (c) a copy of these Admission Particulars together with any supplement to these Admission Particulars; and
 - (d) the Information Incorporated by Reference.
9. Deloitte LLP, of The Hanover Building, Corporation Street, Manchester, M4 4AH (registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales), have audited, and rendered unqualified audit reports on, the consolidated financial statements of the Society prepared in accordance with UK adopted international accounting standards for the years ended 31 December 2022 and 31 December 2023.
10. The Sole Manager and its affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business. The Sole Manager and its affiliates may have positions, deal or make

markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Sole Manager and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer and its affiliates. The Sole Manager and its affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to Issuer consistent with their customary risk management policies. Typically, the Sole Manager and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such positions could adversely affect future trading prices of the Notes. The Sole Manager and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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