16 March 2021

Santander UK Group Holdings plc

(*Incorporated in England and Wales with limited liability, Registered Number 08700698*)

£450,000,000 Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities

Issue price: 100 per cent.

The £450,000,000 Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (the "**Securities**") are issued by Santander UK Group Holdings plc (the "**Issuer**") and constituted by a trust deed to be dated on or about 1 March 2021 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and the Trustee (as defined in "*Terms and Conditions of the Securities*" (the "**Conditions**", and references herein to a numbered "**Condition**" shall be construed accordingly)). References herein to the "**Group**" shall mean the Issuer and its subsidiaries from time to time.

This Offering Memorandum does not constitute (i) a prospectus for the purposes of Part VI of the United Kingdom Financial Services and Markets Act 2000 (as amended), (ii) a prospectus for the purposes of Regulation (EU) 2017/1129 as amended or superseded (the "**EU Prospectus Regulation**") or (iii) a prospectus for the purposes of Regulation (EU) 2017/1129 and any regulatory or implementing technical standards and other delegated or implementing acts adopted under that Regulation, in each case to the extent that they form part of the domestic law of the United Kingdom ("**UK**") by virtue of the European Union (Withdrawal) Act 2018 as may be amended or replaced from time to time (including, without limitation, by the European Union (Withdrawal Agreement Act 2020) (the "**EUWA**") (the "**UK Prospectus Regulation**"). Application has been made to the London Stock Exchange plc, for the Securities to be admitted to trading on the International Securities Market (the "**ISM**"). The ISM is not a regulated market for the purpose of the Markets in Financial Instruments Directive 2014/65/EU (as amended or superseded) (the "**EU MiFID II**"). **The ISM is a market designated for professional investors. Securities 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 this Offering Memorandum**.

The Securities will bear interest ("**Distributions**") for the period from, and including 1 March 2021 (the "**Issue Date**") to, but excluding, 24 September 2026 (the "**First Reset Date**") at 4.25 per cent. per annum (the "**Initial Distribution Rate**"). The Distribution Rate (as defined herein) will be reset on each Reset Date (as defined herein). From (and including) each Reset Date to (but excluding) the next succeeding Reset Date thereafter, the Distribution Rate shall be the aggregate of 4.058 per cent. per annum and the applicable 5-year Mid-Swap Rate (as defined herein). Subject to cancellation (in whole or in part) as provided herein, interest on the Securities will be payable quarterly in arrear (with a short first Distribution Period) on 24 March, 24 June, 24 September and 24 December in each year (each a "**Distribution Payment Date**") commencing on 24 March 2021.

The Issuer may at any time elect, in its sole and full discretion, to cancel (in whole or in part) the Distribution Amount (as defined herein) otherwise scheduled to be paid on any Distribution Payment Date. The Issuer shall cancel any Distribution Amount otherwise scheduled to be paid on a Distribution Payment Date to the extent that such Distribution Amount together with any Additional Amounts (as defined herein) payable with respect thereto, when aggregated with any distributions or payments on all other own funds instruments (excluding Tier 2 Capital instruments), paid, declared or required to be paid in the then current financial year of the Issuer exceeds the amount of the Issuer's Distributable Items (as defined herein). The cancellation of any Distribution Amount shall not constitute a default for any purpose on the part of the Issuer and Distribution Amounts which are cancelled do not become due and are non-cumulative. Subject as provided herein, all payments in respect of or arising from the Securities are conditional upon the Issuer being solvent at the time for payment and immediately following payment.

The Securities are perpetual securities with no fixed redemption date, and the Securityholders (as defined herein) have no right to require the Issuer to redeem or purchase the Securities at any time. Subject to the Issuer having obtained Regulatory Approval (as defined herein) and to compliance with the Regulatory Preconditions (as defined herein), the Securities may be redeemed at the option of the Issuer (i) on any day falling in the period commencing on (and including) 24 March 2026 and ending on (and including) the First Reset Date or on any Distribution Payment Date subsequent to the First Reset Date, or (ii) at any time upon the occurrence of certain specified events relating to taxation or a Regulatory Capital Event (as defined herein), in each case, at their principal amount together with any unpaid Distributions (but excluding any Distributions which have been cancelled in accordance with the Conditions).

The entire principal amount of the Securities will be written off on a permanent basis and all accrued and unpaid Distributions cancelled if a Loss Absorption Event (as defined herein) occurs. The Securities will also be subject to write-down and conversion powers exercisable by the UK resolution authorities under, and in the circumstances set out in, the Banking Act 2009, as amended.

The Securities will be issued in the form of a global security in registered form. The global security will be deposited with a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), and registered in the name of the nominee of the common depositary, on the Issue Date. Beneficial interests in the global security will be shown on, and transfers thereof will be effected only through records maintained by, Euroclear or Clearstream, Luxembourg. Interests in the global security will be exchangeable for the relevant definitive securities only in certain limited circumstances. See "*Overview of the Securities while in Global Form*". The denominations of the Securities shall be £200,000 and integral multiples of £1,000 in excess thereof.

An investment in the Securities involves certain risks. Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in this Offering Memorandum.

Pursuant to the United Kingdom ("**UK**") FCA Conduct of Business Sourcebook ("**COBS**"), the Securities are not intended to be offered, sold or otherwise made available and should not be offered, sold or otherwise made available in the UK to retail clients as defined in COBS 3.4.

The Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or the state securities laws of any state of the United States. The Securities may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")).

The Securities are expected, on issue, to be rated Ba1 by Moody's Investors Service Ltd ("**Moody's**"), BBB- by Fitch Ratings Ltd. ("**Fitch**") and B+ by S&P Global Ratings UK Limited ("**S&P**"). Each of Moody's, Fitch and S&P are established in the UK and are registered in accordance with Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). None of Moody's, S&P, Fitch or A.M. Best is established in the European Union and they have not applied for registration under Regulation (EC) No. 1060 (as amended) (the "**CRA Regulation**"). The ratings issued by Moody's, Fitch and S&P have been endorsed by Moody's Deutschland GmbH, S&P Global Ratings Europe Limited and Fitch Ratings Ireland Limited respectively in accordance with the CRA Regulation. Each of Moody's Deutschland GmbH, S&P Global Ratings Europe Limited and Fitch Ratings Ireland Limited is established in the European Union and registered under the CRA Regulation. As such each of Moody's Deutschland GmbH, S&P Global Ratings Europe Limited and Fitch Ratings Ireland Limited is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esman.europa.ue/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Securities are not savings accounts, deposits or other obligations of a bank and are not protected deposits for the purposes of the FSCS or insured by the FDIC or any other governmental agency or instrumentality.

Offering Memorandum dated 16 March 2021

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

No person is or has been authorised to give any information or to make any representation other than those contained in or consistent with this Offering Memorandum in connection with the issue or sale of the Securities and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer or the Trustee. Neither the delivery of this Offering Memorandum 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 that there has been no adverse change in the financial position of the Issuer since the date hereof or that any other information supplied in connection with the Securities is correct as of any time after the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Trustee has not separately verified the information contained in this Offering Memorandum. The Trustee does not make any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information contained in this Offering Memorandum or any other information provided by the Issuer in connection with the offering of the Securities. The Trustee does not accept any liability in relation to the information contained in this Offering Memorandum or any other information provided by the Issuer in connection with the offering of the Securities or their distribution. Neither this Offering Memorandum nor any other information supplied in connection with the offering of the Securities is intended to constitute, and should not be considered as, a recommendation by the Issuer or the Trustee that any recipient of this Offering Memorandum or any other information supplied in connection with the offering of the Securities should purchase the Securities. Each potential purchaser of Securities should determine for itself the relevance of the information contained in this Offering Memorandum and its purchase of Securities should be based upon such investigation as it deems necessary. The Trustee does not undertake to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Memorandum nor to advise any investor or potential investor in the Securities of any information coming to their attention.

Neither the Trustee nor any Agent (as defined in the Conditions) shall have any responsibility for, or liability or obligation in respect of, any loss, claim or demand incurred as a result of or in connection with the cancellation of the Securities or write-down of any amounts or claims in respect thereof and neither the Trustee nor the Agents shall be responsible for any calculation or determination or the verification of any calculation or determination in connection with the same.

Neither this Offering Memorandum nor any other information provided by the Issuer in connection with the offering of the Securities constitutes an offer of, or an invitation by, or on behalf of, the Issuer or the Trustee or any of them to subscribe for, or purchase, any of the Securities. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy the Securities in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Memorandum and the offer or sale of Securities may be restricted by law in certain jurisdictions. The Issuer and the Trustee do not represent that this Offering Memorandum may be lawfully distributed, or that the Securities may be lawfully offered, in compliance with any applicable registration or other

requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Trustee which is intended to permit a public offering of the Securities or the distribution of this Offering Memorandum in any jurisdiction where action for that purpose is required. Accordingly, no Securities may be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Memorandum or any Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Memorandum and the offering and sale of Securities.

RESTRICTIONS ON MARKETING AND SALES TO RETAIL INVESTORS

1. The Securities are complex financial instruments. They are not a suitable or appropriate investment for all investors, especially retail investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Securities.

2.

(a) The UK FCA Conduct of Business Sourcebook ("**COBS**") requires that such products should not be offered or sold to retail clients as defined in COBS 3.4 (each a "**retail client**") in the UK.

(b) By purchasing, or making or accepting an offer to purchase any Securities (or a beneficial interest in such Securities) from the Issuer, each prospective investor represents, warrants, agrees with and undertakes to the Issuer that:

(i) it is not a retail client in the UK; and

(ii) it will not sell or offer the Securities (or any beneficial interest therein) to retail clients in the UK or communicate (including the distribution of this Offering Memorandum document) or approve an invitation or inducement to participate in, acquire or underwrite the Securities (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the UK.

(c) In selling or offering the Securities or making or approving communications relating to the Securities you may not rely on the limited exemptions set out in COBS.

3. For the avoidance of doubt, the obligations in paragraph 2 above are without prejudice to the need to comply at all times with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA or the UK) relating to the promotion, offering, distribution and/or sale of the Securities (or any beneficial interests therein), whether or not specifically mentioned in the Offering Memorandum – including (without limitation) any requirements under the EU MiFID II or the UK FCA Handbook as to determining the appropriateness and/or suitability of an investment in the Securities (or any beneficial interests therein) for investors in any relevant jurisdiction.

EU PRIIPs Regulation / EU Prospectus Regulation / Prohibition of Sales to EEA Retail Investors – The Securities 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 EU MiFID II; or (ii) 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 EU MiFID II. Consequently no key information document required by EU PRIIPs Regulation for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under EU PRIIPs Regulation.

UK PRIIPs Regulation / UK Prospectus Regulation / Prohibition of Sales to UK Retail Investors – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under 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 UK PRIIPs Regulation for offering or selling the Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the UK may be unlawful under UK PRIIPs Regulation.

EU MIFID II 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 Securities has led to the conclusion that: (i) the target market for the Securities is eligible counterparties and professional clients only, each as defined in EU MiFID II; and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Securities (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

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 Securities has led to the conclusion that: (i) the target market for the Securities is only eligible counterparties, as defined in COBS, and professional clients, as

defined in UK MiFIR; and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Securities (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 is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Securities (or any beneficial interests therein) from the Issuer, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

SUITABILITY OF INVESTMENT

The Securities will not be a suitable investment for all investors. Each potential investor in the Securities must determine the suitability of that 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 Securities, the merits and risks of investing in the Securities and the information contained in this Offering Memorandum or any applicable supplement;

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

(iii) understands thoroughly the terms of the Securities and is familiar with the behaviour of financial markets;

(iv) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including where pounds sterling (the currency for principal and Distribution payments) is different from the potential investor's currency; and

(v) is able to evaluate possible scenarios for economic, distribution rate and other factors that may affect its investment and its ability to bear the applicable risks.

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 (1) Securities are legal investments for it, (2) Securities can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Securities under any applicable risk-based capital or similar rules.

The Securities may be considered by eligible investors who are able to satisfy themselves that the Securities would constitute an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities unless it has the

expertise (either alone or with the help of a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities and the impact such investment will have on the potential investor's overall investment portfolio.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Offering Memorandum, unless otherwise specified, all references to "**dollars**", "**U.S. dollars**", "**U.S.$**", "**¢**" or "**cents**" are to the lawful currency of the United States, "**euros**" or "**€**" are to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, and "**pounds**", "**sterling**", "**£**", "**p**" or "**pence**" are to the lawful currency of the UK.

In this Offering Memorandum references to "**Moody's**" are to Moody's Investors Service Ltd.; references to "**Fitch**" are to Fitch Ratings Ltd.; and references to "**S&P**" are to S&P Global Ratings UK Limited.

The Issuer maintains its financial books and records and prepares its financial statements in sterling in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IASB**") including interpretations issued by the IFRS Interpretations Committee ("**IFRIC**") of the IASB and as adopted by the EU ("**IFRS**"). The Group has complied with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006.

In this Offering Memorandum, references to websites or uniform resource locators ("**URLs**") are inactive textual references and are included for information purposes only. The contents of any such website or URL shall not form part of, or be deemed to be incorporated into, this Offering Memorandum.

Forward-Looking Statements

This Offering Memorandum includes forward-looking statements. Examples of such forward-looking statements include, but are not limited to:

- projections or expectations of revenues, costs, profit (or loss), earnings (or loss) per share, dividends, capital structure or other financial items or ratios;

- statements of plans, objectives or goals or those of the Group's management, including those related to products or services;

- statements of future economic performance; and

- statements of assumptions underlying such statements.

Words such as 'believes', 'anticipates', 'expects', 'intends', 'aims', 'plans', 'targets' and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements are not statements of historical or current facts; they cannot be objectively verified, are speculative and involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other

forward-looking statements will not be achieved. The Issuer cautions readers that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements made by the Issuer or on the Issuer's behalf. Some of these factors, which could affect the Issuer's business, financial condition and/or results of operations, are considered in detail in "*Risk Factors*" in this Offering Memorandum.

Undue reliance should not be placed on forward-looking statements when making decisions with respect to the Issuer and/or the Securities. Investors and others should take into account the inherent risks and uncertainties of forward-looking statements and should carefully consider the foregoing non-exhaustive list of important factors. Forward-looking statements speak only as of the date on which they are made and are based on the knowledge, information available and views taken on the date on which they are made; such knowledge, information and views may change at any time.

Except as required by the ISM or any other applicable law or regulation, the Issuer expressly disclaims any obligations or undertakings to release publicly any updates or revisions to any forward-looking statements contained in this Offering Memorandum to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Alternative Performance Measures

The financial data incorporated by reference in this Offering Memorandum, in addition to the conventional financial performance measures established by IFRS, contains certain alternative performance measures ("**APMs**") that are presented for the purposes of a better understanding of the Group's financial performance, cash flows and financial position. The relevant metrics are identified as APMs and accompanied by an explanation of each such metric's components and calculation method at pages 191 to 194 of the Issuer's Annual Report for the year ended 31 December 2020, which is incorporated by reference herein (see "*Documents Incorporated by Reference"* below).

Such measures should not be considered as a substitute for those required by IFRS.

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Risk Factors

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Securities. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Securities. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer believes that the factors described below represent the principal risks inherent in investing in the Securities.

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

Words and expressions defined in the "Terms and Conditions of the Securities" below or elsewhere in this Offering Memorandum have the same meanings in this section.

Risks Relating to the Business of the Issuer and the Group

Geopolitical and macro-economic risks

The Group's operations, financial condition and prospects are materially impacted by economic conditions in the UK and disruptions in the global economy and global financial markets

The Group's business activities are concentrated in the UK, where it offers a range of banking and financial products and services to UK retail and corporate customers. As a consequence, the Group's operations, financial condition and prospects are significantly affected by the general economic conditions in the UK.

There is a risk of an extended period of economic contraction that continues through 2021 as further lockdowns are imposed restricting economic activity in the UK and across the globe depending on the efficacy, take-up and rollout of the vaccines for Covid-19. These risks could amplify the existing downward pressure on the economy; for example: a large surge in business failures with knock-on effects for the labour market resulting in high rates of unemployment that create debt management issues for customers, which could also contribute to negative multiplier effects through delayed investment and spending; and a stronger push towards protectionism as governments look to protect home industries. This could also lead to a longer-term turn in the credit cycle with a broader contraction of credit as lenders attempt to protect themselves from increased losses.

In particular, the Group faces, among others, the following risks related to the current economic downturn:

- Reduced demand for the Group's products and services.

- Inability of the Group's borrowers to comply fully or in a timely manner with their existing obligations.

- The process the Group uses to estimate losses inherent in its credit exposure requires complex judgements and assumptions, including forecasts of economic conditions - if such economic conditions develop more adversely than the Group's estimates it may impair the ability of the Group's borrowers to repay their loans.

- The degree of uncertainty concerning economic conditions may adversely affect the accuracy of the Group's estimates, which may, in turn, impact the reliability of the process and the sufficiency of the Group's loan loss allowances.

- Disruption of macro-economic factors (such as GDP, unemployment and house prices), both locally and regionally.

- Lower or negative interest rates, reducing the Group's interest margins.

- The value and liquidity of the portfolio of investment securities that the Group holds may be adversely affected.

- The recovery of the international financial industry may be delayed and impact the Group's operations, financial condition and prospects.

- Adverse macroeconomic developments have had and may continue to have a negative impact on the household income of the Group's retail customers and the profitability of the Group's business customers, which has adversely affected and may continue to adversely affect the recoverability of the Group's loans and other extensions of credit and result in increased credit losses. In particular, the outbreak of Covid-19 and various efforts recommended or put in place for individuals and businesses to contain the spread of the disease in the UK and in other countries, as well as some of the UK government and central bank financial mitigation measures, have had a material adverse effect on the Group's operations and income, as described below under *'The Covid-19 pandemic*'.

- Accommodative monetary policies leading to an extended period of low or lower interest rates, particularly the reduction of interest rates to near zero as a mitigating measure in response to the Covid-19 outbreak, weaker sterling, higher government debt levels, and potentially higher inflation in the longer term, which could have an adverse effect on the Group's profitability.

Adverse changes in the credit quality of the Group's borrowers and counterparties or a general deterioration in UK economic conditions could reduce the recoverability and value of the Group's assets and require an increase in its level of provisions for expected credit losses. 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 or for other reasons beyond its control. For example, for 2020, the Group recognised net provisions of £448m relating to the Covid-19 pandemic as described further below under '*The Covid-19 pandemic*'. Material increases in the Group's provisions for loan losses and write-offs or charge-offs have had and could continue to have a material adverse effect on its operations, financial condition and prospects. Any significant related reduction in the demand for its products and services could also have a material adverse effect on the Group's operations, financial condition and prospects.

The Group is also exposed to:

- Broader geopolitical issues, which remain heightened with the potential for a further pushback against globalism, once concerns directly related to the pandemic subside. Further moves towards unilateralism may also cause increased tension between nations, which could negatively impact the global economy and financial markets;

- Climate change risks which could have a material impact on our client's business models under a transition to a low carbon economy;

- Other environmental risks such as extreme weather, natural disasters, biodiversity loss, human made environmental disasters, health impacted by pollution, water crisis, and other infectious diseases; and

- Social unrest as a result of severe economic disruption caused by the pandemic.

Economic instability and downturns beyond the UK may also impact the UK economy as a whole. Disruption and volatility in the global financial markets could have a material adverse effect on the Group, including the Group's ability to access capital and liquidity on financial terms acceptable to the Group, which could have a material adverse effect on the Group's operations, financial condition and prospects.

The Covid-19 pandemic

The Covid-19 pandemic has caused, and continues to cause, social disruption and a material economic downturn in the UK and globally, the effects of which continue to unfold and may worsen. This has had a material adverse effect on the Group's operations and income, and could continue to have a material adverse effect on its operations, income, financial condition and prospects depending on a number of factors which remain uncertain at this point (further waves of infection, further variants of the Covid-19 virus, the distribution and further development of vaccines, further lockdowns and the speed and stability of the economic recovery, amongst others). To the extent the Covid-19 pandemic continues to adversely affect the global economy and/or the Group, it may also have the effect of increasing the likelihood and/or magnitude of other risks described herein, or may pose other risks which are not presently known to the Group or not currently expected to be significant to the Group's business, operations or financial performance.

The Covid-19 pandemic has caused global disruption, which has impacted the Group's customers, suppliers, staff and operations. In March 2020, the UK, as well as other jurisdictions, implemented severe restrictions on the movement of the population, with a resultant significant impact on economic activity. Despite a gradual phasing out of such restrictions during the summer months of 2020, restrictions have since been reinstated with diverging stringency and at different times in jurisdictions across the globe. Although a number of vaccines are now available and more are expected, it remains unclear how restrictions will evolve through 2021; this will depend on the pace of the vaccination programme and its extension, possible mutations to the Covid-19 virus and the effectiveness of the vaccine and length of the immunity it grants. The Group continues to monitor the situation closely.

In response to the Covid-19 pandemic, the Group deployed working from home capabilities and adapted some of its key processes and working areas, such as branches and call centres, to

the working requirements under lockdown. However, the Group faces operational challenges arising from this deployment, including those presented by the unavailability of personnel and the changes in normal operating procedures, which put pressure on internal controls. The Group has been, and may continue to be, adversely affected by disruptions to its infrastructure, business processes and technology services, including as a result of the temporary freeze on system changes unrelated to the Covid-19 pandemic, which was implemented in the second quarter of 2020 to minimise the impact of the additional pressures on the Group's systems. The Group may also face increased operational risks due to cyber security threats and fraud as the speed and extent of deployment of government schemes put additional pressure on internal controls. Working practices are under ongoing review to allow improved controls, better remote working and flexibility, to comply with social distancing measures on-site, and to be able to provide testing, cater for self-isolating needs and to allow a swift response to new lock down measures, all of which may lead to increased costs or further business disruption.

Like other jurisdictions, the UK government and central bank have launched measures to provide financial support to parts of the economy most impacted by the Covid-19 pandemic. The success of these measures (for example, lower interest rates, extensive central bank lending, extension of effective dates for regulatory changes, business lending schemes, payment holidays and furlough measures) to reactivate the economy and support households and businesses is still uncertain and may not be able to prevent a prolonged and deep crisis or even a recessionary environment. A significant number of our customers have made use of these business lending schemes and payment holidays.

Several of these measures have had, and are expected to continue to have, a negative impact on our financial condition and results of operations. For example, our net interest income was impacted by an immediate repricing of assets following cuts in the Bank of England's ("**BoE**") base rate from 0.75% to 0.1% in response to the Covid-19 pandemic which was mitigated by deposit repricing actions in the second half of 2020. In addition, our non-interest income for the year ended 31 December 2020 decreased by 40% compared to 2019. This resulted from significantly lower banking and transaction fees in our retail business, which, although largely due to expected reductions following the implementation of regulatory changes to overdraft income, were caused partly by the Covid-19 pandemic.

The impact of the Covid-19 pandemic on our retail and corporate customers' income, profitability and prospects could significantly affect their ability to service and repay their loans. Our credit impairment charges have consequently increased as our new credit scenarios, and the weights applied to those scenarios, under IFRS 9 reflect a range of potential economic outcomes due to the Covid-19 pandemic. These scenarios capture a range of recovery paths for the UK economy, reflecting the uncertain environment caused by the Covid-19 pandemic, including possible further local/regional lockdown restrictions in 2021 and the impact of the UK government responses. These scenarios have been weighted to the downside to reflect the longer path to recovery for the UK.

The Group recognised net provisions of £448m relating to the Covid-19 pandemic during 2020, arising from the changes to economic scenarios and weights and the staging reclassification of certain loans following an in-depth sectoral and payment holiday review. During 2020 £0.8bn of mortgage assets (based on a sample mortgage customer contact exercise, as well as additional Stage 1 customer data profiling) were transferred from Stage 1 to Stage 2 lifetime ECL. The Group has also transferred £3.1bn corporate Stage 1 loans into Stage 2 lifetime ECL and £0.4bn of corporate Stage 2 to Stage 3 ECL following contact with customers regarding

possible concessions, review of the existing judgment perimeter and categorisation of sectors as “Low, Medium or High Risk” based on the Standard Industrial Classification (SIC) codes for 31 December 2020 reporting.

The assumptions and economic forecasts used in these scenarios, and the weights applied to them, may need to be reviewed further if the Covid-19 pandemic worsens and depending on the effects of further impacts on the global economy, international markets and in relation to specific business sectors, which may suffer worse losses than others or have a much slower recovery. The impact of the outbreak on the long-term prospects of businesses in these sectors is expected to be material and may lead to significant ECL charges on specific exposures, which may not be fully captured by ECL modelling techniques. Models are, by their nature, imperfect and incomplete representations of reality because they rely on assumptions and inputs, and so they may be subject to errors affecting the accuracy of their outputs and/or misused. This may be exacerbated when dealing with unprecedented scenarios, due to the lack of historical reference points and data. In the case of Covid-19, there are no precedents to model and forecast the effects of the pandemic and the related containment measures and financial support schemes in the medium and long term.

A recessionary economic environment could also lead to rating downgrades affecting the UK, the Group or its customers, investments and/or instruments, causing capital impacts due to increased RWAs, an increase in the volatility of wholesale markets and the cost of funding.

The UK’s withdrawal from the European Union could have a material adverse effect on the Group’s operations, financial condition and prospects

On 31 January 2020 the UK ceased to be a member of the EU, on withdrawal terms which established a transition period until 31 December 2020, during which the UK continued to be treated as an EU member state and applicable EU legislation continued to be in force (the “**Transition Period**”). A trade deal was agreed between the UK and the EU prior to the end of the Transition Period and the new regulations came into force on 1 January 2021.

The trade deal, however, did not include agreements on certain areas such as financial services and data adequacy, although a further transitional period has been agreed with respect to rules on the transfer of personal data between the EU and the UK until the end of June 2021. Without equivalence decisions or other agreements that provide market access on a stable and wide-spread basis, the Group has, and will continue to have, a limited ability to provide crossborder services to EU customers and to trade with EU counterparties. It is uncertain whether equivalence decisions will be granted or whether a trade agreement with respect to financial services between the EU and the UK will be reached. The impact of any such trade agreement, equivalence decisions or any other cooperation mechanisms on financial markets generally, the extent of legislative and regulatory convergence and regulatory cooperation that would be required between the UK and the EU member states, as well as the level of access that may be granted to financial services firms across EU and UK markets is uncertain. The wider impact of Brexit on financial markets through market fragmentation, reduced access to finance and funding, and a lack of access to certain financial market infrastructure, may affect the Group’s operations, financial condition and prospects and those of its customers and clients.

Uncertainty remains around the effect of the current trade deal on economic growth in the UK given that it does not address financial services and around the effect of the additional non-tariff trade barriers imposed on products. It is likely that growth will initially be disrupted as

businesses adapt to the new crossborder procedures and rules applicable in the UK and in the EU to their activities, products, customers and suppliers.

While the longer term effects of the UK's withdrawal from the EU are difficult to predict, there is ongoing political and economic uncertainty, which is likely to continue in the medium term and which could negatively affect the Group's customers and clients and counterparties.

There are also other potential longer term impacts resulting from Brexit which could impact the UK economy and the Group's business such as increased calls for a second referendum on Scottish independence from the UK and instability in Northern Ireland, if the current arrangements regarding the borders between the Republic of Ireland, Northern Ireland and Great Britain are called into further question.

If one or more of these risks were to materialise it could have a material adverse effect on the Group's operations, financial condition and prospects.

Business model risks

The Group is exposed to competition from other financial institutions, including new entrants into the financial services sector

The markets for UK financial services are very competitive and the Group has seen strong competition from incumbent banks and large building societies. In addition, the Group faces competition from a number of new entrants, non-banks and other providers. The UK government and regulators are actively supporting the emergence of new entrants into the UK financial services market. The internet and mobile technologies are also changing customer behaviour and the competitive environment. There has been a steep rise in customer use of mobile banking in recent years and we expect the strong trends towards customer digital adoption to have been further accelerated during the Covid-19 crisis. The Group is investing in a multi-year transformation programme, including digitalisation of channels and services and automation of physical channels, to both meet customer preferences and protect its competitive position. There can be no assurance that the transformation programme will deliver the benefits sought from it. The Group faces competition from established providers of financial services as well as from banking business developed by non-financial companies, including technology companies and large retail companies with strong brand recognition. Management expects such competition to continue or intensify as a result of customer behaviour and trends, technological changes, competitor behaviour, the growth in digital banking, new lending models and changes in regulation (including the recent introduction of Open Banking and changes arising from PSD2). As a result of any restructuring or evolution in the market, there may emerge one or more new viable competitors in the UK banking market or a material strengthening of one or more of the Group's existing competitors in that market, limiting the Group's ability to increase its customer base and expand its operations, increasing competition for investment opportunities and potentially reducing the Group's market share.

Any of these factors or a combination thereof could result in a significant reduction in the profit of the Group. The Group gives consideration to the competitive position in its management actions, such as pricing, product decisions and our business model. Increasing competition could mean that the Group increases rates offered on deposits or lowers the rates it charges on loans, or changes its cost base, any of which could have a material adverse effect on its operations, financial condition and prospects.

The Group's ability to maintain its competitive position depends, in part, on the success of new products and services it offers its customers and its ability to continue offering products and services from third parties

The success of the Group's operations and its profitability depends, in part, on the success of new products and services it offers to customers and the way in which it offers and provides it products and services. The increasing availability of a wide range of digital or online products and services for customers requires banks like the Group to enhance their offerings in order to retain and attract customers. However, the Group cannot guarantee that its new products and services or the way in which it offers or provides its products and services will meet the needs or preferences of the Group's customers which may change over time, and such changes may render the Group's products and services obsolete, outdated or unattractive, and the Group may not be able to develop new products that meet its customers' changing needs in a timely manner. As the Group expands the range of its products and services, some of which may be at an early stage of development in the UK market, it will be exposed to known, new and potentially increasingly complex risks, including conduct risk, and development expenses. The Group's employees and risk management systems, as well as its experience and that of its partners, may not be sufficient or adequate to enable it to properly handle or manage such risks. In addition, the cost of developing products that are not launched is likely to affect its operating results.

Any or all of the above factors, individually or collectively, could have a material adverse effect on the Group's operations, financial condition and prospects.

The Group's loan portfolio is subject to risk of prepayment

The Group's loan portfolio is subject to prepayment risk resulting from the ability of a borrower or issuer to pay a debt obligation prior to maturity. Generally, in a low interest rate environment, prepayment activity increases, which reduces the weighted average lives of the Group's earning assets and could have a material adverse effect on the Group's operations, financial condition and prospects.

As a result the Group could be required to amortise net premiums into income over a shorter period of time, thereby reducing the corresponding asset yield and net interest income and there is a risk that the Group is not able to accurately forecast amortisation schedules for these purposes which may affect its profitability. Prepayment risk also has a significant adverse impact on credit card and collateralised mortgage loans, since prepayments could shorten the weighted average life of these assets, which may result in a mismatch in the Group's funding obligations and reinvestment at lower yields. The risk of prepayment and its ability to accurately forecast amortisation schedules is inherent in the Group's commercial activity and an increase in prepayments or a failure to accurately forecast amortisation schedules could have a material adverse effect on the Group's operations, financial condition and prospects.

Damage to the Group's reputation could cause harm to its business prospects

Maintaining a positive reputation is critical to attracting and retaining customers, investors and employees and conducting business transactions with counterparties. Damage to the reputation of the Group or Banco Santander SA (as the ultimate parent of the Group), the reputation of affiliates operating under the 'Santander' brand or any of its other brands could therefore cause significant harm to the Group's business and prospects. Harm to the Group's reputation can

arise directly or indirectly from numerous sources, including, among others, employee misconduct (including the possibility of employee fraud), litigation, regulatory interventions and enforcement action, failure to deliver minimum standards of service and quality, disruption to service due to a cyber-attack, wider IT failures, compliance failures, third party fraud, financial crime, breach of legal or regulatory requirements, unethical behaviour (including adopting inappropriate sales and trading practices), and the activities of customers, suppliers, counterparties and the perception of the financial services industry as a whole. Further, negative publicity regarding the Group, whether true or not, may result in harm to the Group's operations, financial condition and prospects.

If the Group is unable to manage the growth of its operations, this could have a material adverse impact on its profitability

The Group allocates management and planning resources to develop strategic plans for organic growth, and to identify possible acquisitions and disposals and areas for restructuring its businesses when necessary. From time to time, the Group evaluates acquisition, disposal, and partnership opportunities that it believes could offer additional value to its shareholders and customers and are consistent with its business strategy. However, the Group may not be able to identify suitable acquisition or partnership candidates and may not be able to acquire promising targets or form partnerships on favourable terms, or at all. Furthermore, preparations for acquisitions that the Group does not complete can be disruptive. The Group bases its assessment of potential acquisitions and partnerships on limited and potentially inexact information and on assumptions with respect to value, operations, profitability and other matters that may prove to be incorrect. The Group's ability to benefit from any such acquisitions and partnerships will depend in part on its successful integration of those businesses. Such integration entails significant risks such as challenges in retaining the customers and employees of the acquired businesses, unforeseen difficulties in integrating operations and systems and unexpected liabilities or contingencies relating to the acquired businesses, including legal claims and regulatory investigations. Moreover, the success of the acquisition or venture will at least in part be subject to a number of political, economic and other factors that are beyond the Group's control. The Group can give no assurances that its expectations with regard to integration and synergies will materialise.

The Group cannot provide assurance that it will, in all cases, be able to manage its growth effectively or to implement its strategic growth decisions, including its ability to:

- Manage efficiently the operations and employees of expanding businesses
- Maintain or grow its existing customer base
- Successfully execute its strategy
- Fully due diligence and assess the value, strengths and weaknesses of investment or acquisition candidates
- Finance strategic opportunities, investments or acquisitions
- Fully integrate strategic investments, or newly-established entities or acquisitions, in line with its strategy

- Align its current information technology systems adequately with those of an enlarged group

- Apply its risk management policy effectively to an enlarged group

Any or all of these factors, individually or collectively, could have a material adverse effect on the Group's operations, financial condition and prospects.

The Group could suffer significant reputational harm if it fails to identify and manage potential conflicts of interest properly. The failure, or perceived failure, to adequately address conflicts of interest could affect the willingness of customers to deal with the Group or give rise to litigation or regulatory enforcement actions against the Group. Therefore, there can be no assurance that conflicts of interest will not arise in the future that could cause material harm to the Group's financial condition and prospects.

Capital and liquidity risk

The Group is subject to regulatory capital, liquidity and leverage requirements that could limit its operations, and changes to these requirements may further limit and could have a material adverse effect on the Group's operations, financial condition and prospects

Capital Requirements Regulation and Capital Requirements Directive IV

The Group is subject to capital adequacy requirements applicable to banks and banking groups under retained EU law and as adopted by the Prudential Regulation Authority ("**PRA**"). The Group is required to maintain a minimum ratio of Common Equity Tier 1 ("**CET1**") capital to risk-weighted assets, Tier 1 capital to risk-weighted assets, total capital to risk-weighted assets and Tier 1 capital to total adjusted assets for leverage monitoring purposes. Any failure by the Group to maintain such ratios above prescribed regulatory minimum levels may result in administrative actions or sanctions. These could potentially include requirements on the Group to cease all or certain lines of new business, to raise new capital resources or, in certain circumstances, a requirement for the Group existing capital instruments (potentially including the Group's debt securities) to be subjected to bail-in or write down (for more information, see the risk factor entitled '*The Group may become subject to the provisions of the Banking Act, including bail-in and write down powers*').

The EU Capital Requirements Directive IV ("**CRD IV Directive**") and the Capital Requirements Regulation (the "**CRR**" and together with the CRD IV Directive, "**CRD IV**") implemented changes proposed by the Basel Committee on Banking Supervision (the "**Basel Committee**") to the capital adequacy framework, known as 'Basel III' in the EU. The CRR has been amended through a series of EU regulations, including the Capital Requirements Regulation 2 ("**CRR 2**") and the CRD IV Directive amended by the Capital Requirements Directive V ("**CRD V Directive**"). The European Union (Withdrawal) Act 2018 converted the directly applicable elements of CRD IV into UK law on 31 December 2020 and preserved existing UK law implementing the CRD IV directive.

In implementing CRD IV and the revised versions of CRD IV, the PRA has required the capital resources of UK banks to be maintained at levels which exceed the base capital requirements prescribed by CRD IV and to cover relevant risks in their business. In addition, a series of capital buffers have been established under CRD IV and PRA rules to ensure a bank can

withstand a period of stress. Though the results of the PRA's 2019 stress test (the most recent exercise undertaken) did not impact on the level of capital that the Group is required to hold, the PRA could, in the future, as a result of stress testing exercises and as part of the exercise of UK macro-prudential capital regulation tools, or through supervisory actions, require the Group to increase its capital resources further, which could have a material adverse effect on the Group's operations, financial condition and prospects.

*Liquidity Coverage Ratio ("**LCR**")*

The LCR is intended to ensure that a bank maintains an adequate level of unencumbered, high quality liquid assets which can be used to offset the net cash outflows the bank could encounter under a short-term significant liquidity stress scenario. The current minimum requirement for LCR is set at 100%. The Group's current liquidity position is in excess of the minimum requirements set by the PRA, however there can be no assurance that future changes to the applicable liquidity requirements would not have an adverse effect on the Group's financial performance.

Leverage ratios

The Financial Services Act 2012 (the "**FS Act**") also provides the Financial Policy Committee ("**FPC**") of the BoE with certain other macro-prudential tools for the management of systemic risk including quarterly setting of the countercyclical capital buffer rate and powers of direction relating to leverage ratios. All major UK banks and banking groups (including the Group) are required to hold enough Tier 1 capital (75% of which must be CET1 capital) to satisfy a minimum leverage ratio requirement of 3.25% and enough CET1 capital to satisfy a countercyclical leverage ratio buffer of 35% of each bank's institution-specific countercyclical capital buffer rate. The PRA require UK globally systemically important banks ("**G-SIBs**") and Ring Fenced Bodies to hold enough CET1 capital to meet an additional leverage ratio buffer of 35% of the institution-specific G-SIB buffer rate or Other Systemically Important Institutions ("**O-SII**") Buffer rate following the implementation of the CRD V Directive on 28 December 2020 (previously the Systemic Risk Buffer rate) and for consolidated groups which include a Ring Fenced Body to hold enough CET1 capital to meet the Additional Leverage Ratio Buffer ("**ALRB**"). The FPC can also direct the PRA to adjust capital requirements in relation to particular sectors through the imposition of sectoral capital requirements. Action taken in the future by the FPC in exercise of any of its powers could result in the regulatory capital requirements applied to the Group being further increased, which could have a material adverse effect on the Group's operations, financial condition and prospects.

Further regulatory changes

Regulators in the UK and worldwide have also proposed that additional loss absorbency requirements should be applied to systemically important institutions to ensure that there is sufficient loss absorbing and recapitalisation capacity available in resolution. The BoE is required to set the Minimum Requirement for Eligible Liabilities ("**MREL**") for all institutions. The BoE expects banks to comply with end-state MREL requirements by 1 January 2022.

The UK implementation of the elements of CRR2 that are not currently in force, which include revisions to the leverage ratio, counterparty risk capital requirements and the net stable funding ratio ("**NSFR**"), is currently expected to be on 1 January 2022.

In addition to the above, regulators in the UK and worldwide have produced a range of proposals for future legislative and regulatory changes which could force the Group to comply with certain operational restrictions or take steps to raise further capital, or could increase the Group's expenses and could have a material adverse effect on the Group's operations, financial condition and prospects. These changes, which could affect the Group as a whole, include the UK implementation of the Basel Committee's new market risk framework, which reflects rules made as a result of the Basel Committee's fundamental review of the trading book. In addition, in December 2017 the Basel Committee published their finalisation of the Basel III framework, with proposed implementation from 1 January 2022. This includes the following elements:

- Revisions to the standardised approach for credit risk, credit valuation adjustment risk and operational risk to address certain weaknesses identified by the Basel Committee
- Additional constraints on the use of internal model approaches for credit risk, and removing the use of internal model approaches for credit valuation adjustment risk and operational risk
- The use of an output floor based on standardised approaches, and
- The introduction of a leverage ratio buffer for global systemically important banks and refinements to the definition of the leverage ratio exposure measure.

The Basel Committee delayed the proposed implementation date of these revised rules to 1 January 2023. There is a risk that changes to the UK's capital adequacy regime (including any increase to minimum leverage ratios) may result in increased minimum capital requirements, which could reduce available capital for new business purposes and adversely affect the Group's cost of funding, profitability and ability to pay dividends, continued organic growth (including increased lending), or to pursue acquisitions or other strategic opportunities. Alternatively, the Group could be required to restructure its balance sheet to reduce the capital charges incurred pursuant to the PRA's rules in relation to the assets held, or raise additional capital but at increased cost and subject to prevailing market conditions. In addition, changes to the eligibility criteria for Tier 1 and Tier 2 capital may affect the Group's ability to raise Tier 1 and Tier 2 capital and impact the recognition of existing Tier 1 and Tier 2 capital resources in the calculation of the Group's capital position. Furthermore, increased capital requirements may negatively affect the Group's return on equity and other financial performance indicators.

The Group's business could be affected if its capital is not managed effectively or if these measures limit the Group's ability to manage its balance sheet and capital resources effectively or to access funding on commercially acceptable terms. Effective management of the Group's capital position is important to the Group's ability to operate its business, to continue to grow organically and to pursue its business strategy. There is a risk that implementing and maintaining existing and new liquidity requirements, such as through enhanced liquidity risk management systems, may incur significant costs, and more stringent requirements to hold liquid assets may materially affect the Group's lending business as more funds may be required to acquire or maintain a liquidity buffer, thereby reducing future profitability. This could in turn adversely impact the Group's operations, financial condition and prospects.

Liquidity and funding risks are inherent in the Group's business and could have a material adverse effect on the Group's operations, financial condition and prospects

Liquidity risk is the risk that the Group either does not have available sufficient financial resources to meet its obligations as they fall due or can secure them only at excessive cost. This risk is inherent in any retail and commercial banking business and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding, changes in credit ratings or market-wide phenomena such as market dislocation. While the Group maintains a liquid asset buffer and implements liquidity management processes to seek to mitigate and control these risks, in particular, unforeseen systemic market factors like those experienced during the last financial crisis make it difficult to eliminate these risks completely. There can be no assurance that such circumstances will not reoccur. Extreme liquidity constraints may affect the Group's operations and its ability to fulfil regulatory liquidity requirements, as well as limit growth possibilities. Disruption and volatility in the global financial markets could have a material adverse effect on the Group's ability to access capital and liquidity on financial terms acceptable to it. A sudden or unexpected shortage of funds in the banking system could threaten the stability of the banking system, and lead to increased funding costs, a reduction in the term of funding instruments or require the Group to liquidate certain assets, thereby impacting the Group's liquidity position and its ability to pay its debts. If these circumstances were to arise, this could have a material adverse effect on the Group's results, operations, financial condition and prospects.

The Group's cost of funding is directly related to prevailing interest rates and to its credit spreads. Increases in interest rates and the Group's credit spreads can significantly increase the cost of its funding. Changes in the Group's credit spreads are market-driven and may be influenced by market perceptions of its creditworthiness. Changes to interest rates and the Group's credit spreads occur continuously and may be unpredictable and highly volatile.

If wholesale markets financing ceases to be available, or becomes excessively expensive, the Group may be forced to raise the rates it pays on deposits, with a view to attracting more customers, and/or to sell assets, potentially at depressed prices. The persistence or worsening of these adverse market conditions, significant increases in capital markets funding costs or deposit rates could have a material adverse effect on the Group's interest margins, its cost of funding, access to liquidity and its profitability and therefore on its operations, financial condition and prospects.

In recent years the Group has also made use of central bank funding schemes such as the BoE's Term Funding Scheme and the Term Funding Scheme with additional incentives for Small and Medium-Sized Enterprises ("**TFSME**"). As at 31 December 2020, the Group had drawn £6.3bn of cash under the Term Funding Scheme and a further £11.7bn of cash under the TFSME.

More recently, in response to the Covid-19 pandemic, the BoE introduced the TFSME, with similar terms to its previous Term Funding scheme. The Group has utilised this scheme as appropriate to mitigate and pre-empt funding risks that may arise as a result of the global pandemic. A rapid removal or significant reduction in outstanding quantitative easing purchase programmes could have an adverse effect on the Group's ability to access liquidity and on its funding costs. Any significant reduction or withdrawal of any central bank funding facilities the Group may be utilising at any given time could cause an increased dependence on term funding issues and increase its funding costs.

Each of the factors described above could have a material adverse effect on the Group, including its ability to access capital and liquidity on financial terms acceptable to it and, more generally, on its operations, financial condition and prospects.

Further, the Group aims for a funding structure that is consistent with its assets, avoids excessive reliance on short-term wholesale funding, attracts enduring retail and commercial deposits and provides diversification in products and tenor. The Group therefore relies, and will continue to rely, on retail and commercial deposits to fund a significant proportion of lending activities. The on-going availability of this type of funding is sensitive to a variety of factors outside the Group's control, such as general economic conditions and the confidence of depositors in the economy, in the financial services industry in general, confidence in the Group specifically, the Group's credit rating and the availability and extent of deposit guarantees, as well as competition between banks for deposits or competition with other products, such as mutual funds. A change in any of these factors could significantly increase the amount of commercial deposit withdrawals in a short period of time, thereby reducing its ability to access deposit funding on appropriate terms, or at all, in the future, and therefore have a material adverse effect on the Group's operations, financial condition and prospects.

The Group's liquidity planning assumes that customers will continue to make a volume of deposits with the Group (particularly demand deposits and short-term time deposits), and the Group intends to maintain its emphasis on the use of deposits as a source of funds. The short-term nature of some deposits could cause liquidity problems for the Group in the future if deposits are not made in the volumes anticipated or are withdrawn at short notice or are not renewed. If a substantial number of depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, there may be a material adverse effect on the Group's operations, financial condition and prospects.

An adverse movement in the Group's external credit rating would likely increase its cost of funding, require the Group to post additional collateral or take other actions under some of its derivative contracts and adversely affect the Group's operations, financial condition and prospects

Credit ratings affect the cost and other terms upon which the Group is able to obtain funding. Credit rating agencies regularly evaluate the Group, and their credit ratings of the Group and the Group's issued debt are based on a number of factors, including the Group's financial strength, the strength of the UK economy and conditions affecting the financial services industry generally.

Any downgrade in the external credit ratings assigned to the Group or any of the Group's debt securities could have an adverse impact on the Group. In particular, a downgrade in the Group's credit ratings could increase its borrowing costs and could require it to post additional collateral or take other actions under some of derivatives, loan facilities or other financial contracts, and could limit its access to capital markets and have a material adverse effect on its operations, financial condition and prospects. For example, a credit rating downgrade could have a material adverse effect on the Group's ability to sell or market certain products, engage in certain longer-term or derivatives transactions and retain its customers or investors, particularly those who need a minimum rating threshold in order to transact or invest.

Any of these results of a credit rating downgrade could, in turn, result in outflows and reduce the Group's liquidity and have an adverse effect on the Group, including its operations, financial

condition and prospects. For example the Group estimates that at 31 December 2020, if Fitch, Moody's and Standard & Poor's were concurrently to downgrade the long-term credit ratings of Santander UK plc by one notch, and thereby trigger a short-term credit rating downgrade, this could result in an outflow of £1.5bn of cash and collateral. A hypothetical two notch downgrade would result in a further outflow of £1.9bn of cash and collateral at 31 December 2020. These potential outflows are captured under the LCR regime. However, while certain potential impacts are contractual and quantifiable, the full consequences of a credit rating downgrade are inherently uncertain, as they depend upon numerous dynamic, complex and inter-related factors and assumptions, including market conditions at the time of any downgrade, whether any downgrade of a firm's long-term credit rating precipitates downgrades to its short-term credit rating, whether any downgrade precipitates changes to the way that the financial institutions sector is rated, and assumptions about the ratings of other financial institutions and the potential behaviours of various customers, investors and counterparties. Actual outflows will also depend upon certain other factors including any management or restructuring actions that could be taken to reduce cash outflows and the potential liquidity impact from a loss of unsecured funding (such as from money market funds) or loss of secured funding capacity.

There can be no assurance that the credit rating agencies will maintain the Group's current credit ratings or outlooks. A failure to maintain favourable credit ratings or outlooks could increase the Group's cost of funding, adversely affect the Group's interest margins, and reduce its ability to secure both long-term and short-term funding. If a downgrade of a Group member's long-term credit ratings were to occur, it could also impact the short-term credit ratings of other members of the Group. The occurrence of any of these events could have a material adverse effect on the Group's operations, financial condition and prospects.

Negative changes to the UK sovereign credit rating, or the perception that further negative changes may occur, could have a material adverse effect on the Group's operations, financial condition, prospects and the marketability and trading value of its securities. This might also have an impact on the Group's own credit rating, borrowing costs and ability to secure funding. Negative changes to the UK sovereign credit rating, or the perception that further negative changes may occur, could also have a material effect in depressing consumer confidence, restricting the availability, and increasing the cost, of funding for individuals and companies, further depressing economic activity, increasing unemployment and reducing asset prices, which could in turn have a material adverse effect on the Group's operations, financial condition and prospects.

Changes in the Group's pension liabilities and obligations could have a materially adverse effect on the Group's operations, financial condition and prospects

The majority of current employees are provided with pension benefits through defined contribution arrangements. Under these arrangements the Group's obligation is limited to the cash contributions paid. The Group provides retirement benefits for many of its former and current employees in the UK through a number of defined benefit pension schemes established under trust. Santander UK plc is the principal employer under the majority of these schemes, but it has only limited control over the rate at which it pays into such schemes. Under the UK statutory pension funding requirements employers are usually required to contribute to the schemes at the rate they agree with the scheme trustees although, if they cannot agree, the rate can be set by the Pensions Regulator. The scheme trustees may, in the course of discussions about future valuations, seek higher employer contributions. The scheme trustees' power in relation to the payment of pension contributions depends on the terms of the trust

deed and rules governing the pension schemes, but, in some cases, the scheme trustees may have the unilateral right to set the employer's relevant contribution.

The Pensions Regulator has the power to issue a financial support direction to companies within a group in respect of the liability of employers participating in the UK defined benefit pension schemes where that employer is a service company, or is otherwise 'insufficiently resourced' (as defined for the purposes of the relevant legislation). As some of the employers within the Group are service companies, if the Pensions Regulator determines that they have become insufficiently resourced and no suitable mitigating action is undertaken, other companies within the Group which are connected with or an associate of those employers are at risk of a financial support direction in respect of those employers' liabilities to the defined benefit pension schemes in circumstances where the Pensions Regulator properly considers it reasonable to issue one. Such a financial support direction could require the companies to guarantee or provide security for the pension liabilities of those employers or could require additional amounts to be paid into the relevant pension schemes in respect of them.

The Pensions Regulator can also issue contribution notices if it is of the opinion that an employer has taken actions, or failed to take actions, deliberately designed to avoid meeting its pension promises or which are materially detrimental to the scheme's ability to meet its pension promises. A contribution notice can be issued to any company or individual that is connected with or an associate of such employer in circumstances where the Pensions Regulator considers it reasonable to issue it and multiple notices could be issued to connected companies or individuals for the full amount of the debt. The risk of a contribution notice being imposed may inhibit the Group's freedom to restructure or to undertake certain corporate activities. There is a risk that the Group could incur an obligation to make a contribution to the scheme by virtue of section 75 or 75A of the Pensions Act 1995 as a result of a reorganisation or disposal of the Group's businesses.

Should the value of assets to liabilities in respect of the defined benefit schemes operated by the Group record a deficit or an increased deficit (as appropriate), due to either a reduction in the value of the pension fund assets (depending on the performance of financial markets) not matched by a fall in the pension fund liabilities and/or an increase in the scheme liabilities not matched by an increase in the pension fund assets due to changes in legislation, mortality assumptions, discount rate assumptions, inflation, or other factors, or there is a change in the actual or perceived strength of the employer's covenant, this could result in the Group having to make increased contributions to reduce or satisfy the deficits which would divert resources from use in other areas of its business and reduce its capital resources. While the Group can control a number of the above factors, there are some over which the Group has no or limited control. Although the trustees of the defined benefit pension schemes are obliged to consult with the Group before changing the pension schemes' investment strategy, the trustees have the final say and ultimate responsibility for investment strategy rests with them.

Changes in UK legislation and regulation to address perceived failings in pension protection following recent high profile company insolvencies with large pension deficits may also affect the Group's position. Specific areas where concerns have been raised are levels of dividends where there is a pension scheme with a deficit and the length of time taken to address deficits. Changes in legislation or regulation could result in the Group having to make increased contributions to reduce or satisfy the deficits which would divert resources from use in other areas of its business and reduce its capital resources.

The defined benefit schemes have material investments in illiquid assets primarily unlisted credit, private equity and property. The value of these investments can only be known when they are realised. The value in the accounts is an estimate of the fair value of these investments but the final realised value could be materially different and if less than the value used could result in the Group having to make increased contributions to reduce or satisfy resulting deficits which as above would divert resources from use in other areas of the business and reduce its capital resources.

Any increase in the Group's pension liabilities and obligations as a result of the foregoing factors could have a material adverse effect on the Group's operations, financial conditions and prospects.

Market risks

The Group's financial results are constantly exposed to market risk. The Group is subject to fluctuations in interest rates and other market risks, which could have a material adverse effect on the Group's operations, financial condition and prospects.

Market risk refers to the probability of variations in the Group's net interest income or in the market value of its assets and liabilities due to volatility of interest rates, credit spreads, exchange rates or equity prices.

Changes in interest rates would affect the following areas, among others, of the Group's business:

- Net interest income
- The value of the Group's derivatives transactions
- The market value of the Group's securities holdings
- The value of the Group's loans and deposits
- The volume of loans originated

Interest rates are highly sensitive to many factors beyond the Group's control, including increased regulation of the financial sector, monetary policies, domestic and international economic and political conditions and other factors. Variations in interest rates could affect the interest earned on the Group's assets and the interest paid on its borrowings, thereby affecting its net interest income, which comprises the majority of its revenue, reducing its growth rate and profitability and potentially resulting in losses. In addition, costs the Group incurs putting into place strategies to reduce interest rate exposure could increase in the future, which could have a material adverse effect on the Group's operations, financial condition and prospects.

Increases in interest rates may reduce the volume of loans originated by the Group. Sustained high interest rates have historically discouraged customers from borrowing and have resulted in increased delinquencies in outstanding loans and deterioration in the quality of assets. Increases in interest rates may also reduce the propensity of the Group's customers to prepay or refinance fixed-rate loans, reduce the value of its financial assets and reduce gains or require

the Group to record losses on sales of the Group's loans or securities, which could have a material adverse effect on the Group's operations, financial condition and prospects.

Due to the historically low interest rate environment in the UK in recent years, and following on from the BoE base rate cut to 0.1% in March 2020, the rates on many of the Group's interest-bearing deposit products have been priced at or near zero. This may limit the Group's ability to further reduce customer rates in the event of further cuts in the BoE base rate putting pressure on the Group's margins and profitability. If a generally low interest rate environment in the UK persists in the long term, it may be difficult to increase the Group's net interest income, which could have a material adverse effect on the Group's operations, financial condition and prospects.

The Group is exposed to risks relating to the integrity and continued existence of reference rates

The current expectation is that GBP, EUR, JPY and CHF LIBOR, as well as one-week and two-month USD LIBOR, will generally cease to be available for use after 31 December 2021, and that other USD LIBOR tenors will similarly cease after 30 June 2023. It is not yet clear whether a form of synthetic LIBOR (in respect of any of the aforementioned currencies) will be published for limited use in what may be defined as "tough legacy" transactions. The interaction of different legal initiatives in several jurisdictions may cause some interpretative ambiguities and conflicts of law, and the lack of a legal or regulatory framework in the UK for the automatic transition of legacy contracts makes such transition more complex and subject to a range of risks (including legal, litigation, conduct, system, model and reputational risks) that could have a material adverse effect on the Group's operations, financial condition and prospects.

On 29 November 2017, the FCA announced that its Working Group on Sterling Risk-Free Rates was to be mandated with implementing a broad-based transition to the Sterling Overnight Index Average (SONIA) over the next four years across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark and regulators in the United Kingdom continue to seek the replacement of LIBOR by the end of 2021.

Any such changes to, or replacement of benchmarks may cause contracts in which they are used to perform differently than in the past, or may have other consequential effects on any of the Group's rights and obligations which depend on such benchmarks and any fallbacks. In particular, the transition from GBP LIBOR to SONIA and the elimination of the LIBOR benchmark will require an adjustment to the terms of financial contracts to which the Group is a party which relate to LIBOR. This could have a material adverse effect on the Group's operations, financial condition and prospects.

Although it is expected that GBP LIBOR will be declared non-representative before the end of 2021, it is not yet clear when this will occur, or when other currency LIBOR rates and their different tenors will cease to exist, or whether a form of synthetic LIBOR will be published for limited use in what may be defined as "tough legacy" transactions. The interaction of different legal initiatives in several jurisdictions may cause some interpretative ambiguities and conflicts of law, and the lack of a legal or regulatory framework in the UK for the automatic transition of legacy contracts and agreements makes such transition more complex and subject to a range of risks (including legal, litigation, conduct, system, model and reputational risks) that could have a material adverse effect on the Group's operations, financial condition and prospects.

The Group's most significant exposures are to GBP LIBOR, and mainly represent derivatives transacted to hedge its balance sheet risks, corporate loans and medium-term funding. At 31 December 2020, the Group estimates the notional value of its contracts referencing post-2021 LIBOR benchmarks to be £81.1bn. For details of the notional value of derivative hedging instruments by benchmark interest rate, see Note 11 to the Consolidated Financial Statements.

When LIBOR is replaced or ceases to exist (or if the methodology for calculating LIBOR or any successor benchmark rate changes for any reason), interest rates on the Group's floating rate obligations, loans, deposits, derivatives, and other financial instruments linked to LIBOR rates, as well as the revenue and expenses associated with those financial instruments, may be adversely affected. In addition, any uncertainty regarding the continued use and reliability of LIBOR as a benchmark interest rate could adversely affect the value of the Group's floating rate obligations, loans, deposits, derivatives, and other financial instruments linked to LIBOR rates. Any such issues relating to LIBOR or other benchmarks or reference rates (including SONIA) could have a material adverse effect on the Group's operations, financial condition and prospects.

Market conditions have resulted in, and could continue to result in, material changes to the estimated fair values of the Group's financial assets. Negative changes in positions recorded at fair value could have a material adverse effect on the Group's operations, financial condition and prospects

The Group has material exposures to securities, loans, derivatives and other investments that are recorded at fair value and are therefore exposed to potential negative market changes. A widening of market credit spreads, reflecting the prevailing market conditions, would negatively impact asset valuations in future periods and may result in negative changes in the fair values of the Group's financial assets. A tightening of the Group's own credit spreads would increase the magnitude of liabilities, thereby reducing net assets.

In addition, the value ultimately realised by the Group on disposal of assets and liabilities recorded at fair value may be lower than their current fair value; for example, during the last global financial crisis, financial markets were subject to periods of significant stress resulting in steep falls in perceived or actual financial asset values, particularly due to volatility in global financial markets and the resulting widening of credit spreads.

The Group is also exposed to changes in the market value of credit and funding spreads for the valuation of certain derivative contracts, the estimated value of which is negatively exposed to increases in the Credit Valuation Adjustment ("**CVA**") spread and the Funding Fair Valuation Adjustment ("**FFVA**") spread over the lifetime of the transaction.

Any of these factors could require the Group to record negative changes in fair value which could have a material adverse effect on its operations, financial condition and prospects.

In addition, to the extent that fair values are determined using financial valuation models, such values may be inaccurate or subject to change, as the data used by such models may not be available or may become unavailable due to changes in market conditions, particularly for illiquid assets and in times of economic instability. In such circumstances, the Group's valuation methodologies require it to make assumptions, judgements and estimates in order to establish fair value.

Reliable assumptions are difficult to make and are inherently uncertain. Moreover, valuation models are complex, making them inherently imperfect predictors of actual results. Any consequential impairments or write-downs could have a material adverse effect on the Group's operations, financial condition and prospects.

The Group invests in debt securities of the UK Government largely for liquidity management purposes. At 31 December 2020, approximately 10% of the Group's total assets and 10% of the Group's securities portfolio were comprised of debt securities issued by the UK Government. Any failure by the UK Government to make timely payments under the terms of these securities, or a significant decrease in their market value, could have a material adverse effect on the Group's operations, financial condition and prospects.

If the level of non-performing loans increases or the credit quality of the Group's loans deteriorates in the future, or if the Group's loan loss reserves are insufficient to cover loan losses, this could have a material adverse effect on the Group's operations, financial condition and prospects

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Group's businesses. Non-performing or low credit quality loans have in the past, and could continue to, have a material adverse effect on the Group's operations, financial condition and prospects.

In particular, the amount of the Group's reported non-performing loans may increase in the future as a result of growth in the Group's total loan portfolio, including as a result of loan portfolios that the Group may acquire in the future (the credit quality of which may turn out to be worse than the Group had anticipated), or factors beyond the Group's control, such as adverse changes in the credit quality of the Group's borrowers and counterparties, a general deterioration in the UK or global economic conditions, the impact of political events, events affecting certain industries or events affecting financial markets and global economies.

There can be no assurance that the Group will be able to effectively control the level of impaired loans in, or the credit quality of, its total loan portfolio, which could have a material adverse effect on the Group's operations, financial condition and prospects.

Interest rates payable on a significant portion of the Group's outstanding mortgage loan products fluctuate over time due to, among other factors, changes in the BoE base rate. As a result, borrowers with variable interest rate mortgage loans are exposed to increased monthly payments when the related mortgage interest rate adjusts upward. Similarly, borrowers of mortgage loans with fixed or introductory rates adjusting to variable rates after an initial period are exposed to the risk of increased monthly payments at the end of this period. Over the last few years both variable and fixed interest rates have been at historically low levels, which has benefited borrowers of new loans and those repaying existing variable rate loans regardless of special or introductory rates. Future increases in borrowers' required monthly payments may result in higher delinquency rates and losses related to non-performing loans in the future. Borrowers seeking to avoid these increased monthly payments by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates. These events, alone or in combination, may contribute to higher delinquency rates and losses for the Group, which could have a material adverse effect on the Group's operations, financial condition and prospects.

The Group's current loan loss reserves may not be adequate to cover an increase in the amount of non-performing loans or any future deterioration in the overall credit quality of the Group's total loan portfolio. The Group's loan loss reserves are based on the Group's current assessment of various factors affecting the quality of its loan portfolio, including its borrowers' financial condition, repayment abilities, the realisable value of any collateral, the prospects for support from any guarantor, government macroeconomic policies, interest rates and the legal and regulatory environment. Many of these factors are beyond the Group's control. As a result, there is no precise method for predicting loan and credit losses, and no assurance can be provided that the Group's current or future loan loss reserves will be sufficient to cover actual losses.

If the Group's assessment of and expectations concerning the above-mentioned factors differ from actual developments the Group may need to increase its loan loss reserves, which may adversely affect the Group's operations, financial condition and prospects. Additionally, in calculating its loan loss reserves, the Group employs qualitative tools and statistical models which may not be reliable in all circumstances and which are dependent upon data that may not be complete. If the Group is unable to control or reduce the level of its non-performing or poor credit quality loans, this could have a material adverse effect on the Group's operations, financial condition and prospects.

The value of the collateral, including real estate, securing the Group's loans may not be sufficient, and the Group may be unable to realise the full value of the collateral securing the Group's loan portfolio

The value of the collateral securing the Group's loan portfolio may significantly fluctuate or decline due to factors beyond the Group's control, including macroeconomic factors affecting the UK's economy. The Group's residential mortgage loan portfolio is one of its principal assets, comprising 80.7% of the Group's loan portfolio at 31 December 2020. As a result, the Group is highly exposed to developments in the residential property market in the UK.

House price growth strengthened over the second half of 2020 as a result of pent up demand during the first Covid-19 lockdown in the UK together with the stimulus provided by temporary changes in stamp duty; however, there is a high level of uncertainty in the outlook for house prices in 2021 as these effects subside and whether further stimulus measures may be introduced. The depth of the previous house price declines as well as the continuing uncertainty as to the extent and sustainability of the UK economic downturn and recovery will mean that losses could be incurred on loans should they go into possession.

The value of the collateral securing the Group's loan portfolio may also be adversely affected by force majeure events such as natural disasters like floods or landslides exacerbated by climate change trends. Any force majeure event may cause widespread damage and could have an adverse impact on the economy of the affected region and may therefore impair the asset quality of the Group's loan portfolio in that area. The Group may also not have sufficiently up-to-date information on the value of collateral, which may result in an inaccurate assessment for impairment losses on loans secured by such collateral.

If any of the above events were to occur, the Group may need to make additional provisions to cover actual impairment losses of its loans, which could have a material adverse effect on the Group's operations, financial condition and prospects.

Legal and regulatory risks

The Group is subject to substantial and evolving regulation and governmental oversight

As a financial services group, the Group is subject to extensive financial services laws, regulations, administrative actions and policies in the UK, and in each other location in which the Group operates. The sector is facing unprecedented levels of government and regulatory intervention and scrutiny, and changes to the regulations governing financial institutions and the conduct of business. In addition, regulatory and governmental authorities have continued to consider further enhanced or new legal or regulatory requirements intended to reduce the probability and impact of future crises (or otherwise assure the stability of institutions under their supervision), enhance consumer protection and improve controls in relation to financial crime-related risks. The Group expect regulatory and government intervention in the banking sector to remain high for the foreseeable future. An intensive approach to supervision is maintained in the United Kingdom by the PRA, the Lending Standards Board ("**LSB**"), the Financial Conduct Authority ("**FCA**"), the Payment Systems Regulator ("**PSR**") and the Competition and Markets Authority ("**CMA**").

As well as being subject to UK regulation, as part of the Banco Santander group, the Group is also affected by other regulators such as the Banco de España (the "**Bank of Spain**") and the European Central Bank ("**ECB**"), as well as various legal and regulatory regimes (including the US) that have extra-territorial effect. Extensive legislation and implementing regulations affecting the financial services industry have recently been adopted in regions that directly or indirectly affect the Group's business, including Spain, the US, the EU and other jurisdictions.

The manner in which financial services laws, regulations and policies are applied to the operations of financial institutions has gone through great change which is still being implemented and reviewed. Recent proposals and measures taken by governmental, tax and regulatory authorities and further future changes in supervision and regulation (in particular in the UK), are beyond the Group's control and could materially affect the Group's business.

Changes in UK legislation and regulation to address the stability of the financial sector may also affect the Group's competitive position, particularly if such changes are implemented before international consensus is reached on key issues affecting the industry.

To the extent these laws, regulations and policies apply to it, the Group may face higher compliance costs. The Group may lack the capacity to readily respond to multiple regulatory or government policy changes simultaneously. Any legislative or regulatory actions and any required changes to the Group's business operations resulting from such laws, regulations and policies as well as any deficiencies in the Group's compliance with such laws, regulations and policies could result in significant loss of revenue, could have an impact on the Group's strategy, limit its ability to pursue business opportunities in which the Group might otherwise consider engaging, limit the Group's ability to provide certain products and services and result in enforcement action and the imposition of financial and other penalties. They may also affect the value of assets that the Group holds, requiring the Group to increase its prices thereby reducing demand for the Group's products or otherwise have a material adverse effect on its operations, financial condition and prospects. Accordingly, there can be no assurance that future changes in laws, regulations and policies or in their interpretation or application by the Group or by regulatory authorities will not adversely affect the Group.

Specific examples of areas where regulatory changes and increased regulatory scrutiny could have a material adverse effect on the Group's operations, financial condition and prospects include, but are not limited to, the following:

- **Banking Reform**: In accordance with the provisions of the Financial Services (Banking Reform) Act 2013 UK banking groups that hold significant retail deposits, including the Group, were required to separate or 'ring-fence' their retail banking activities from their wholesale banking activities by 1 January 2019. The Group completed its ring-fencing plans in advance of the legislative deadline of 1 January 2019. However, given the complexity of the ringfencing regulatory regime and the material impact on the way the Group conducts its business operations in the UK, there is a risk that the Group and/or Santander UK plc may be found to be in breach of one or more ring-fencing requirements. This might occur, for example, if prohibited business activities are found to be taking place within the ring-fence, mandated retail banking activities are found being carried on in a UK entity outside the ring-fenced part of the group or the Group breached a PRA ring-fencing rule. If the Group were found to be in breach of any of the ring-fencing requirements placed upon it under the ring-fencing regime, it could be subject to supervisory or enforcement action by the PRA, the consequences of which might include substantial financial penalties, imposition of a suspension or restriction on the Group's UK activities or, in the most serious of cases, forced restructuring of the UK group, entitling the PRA (subject to the consent of the UK Government) to require the sale of a Santander ring-fenced bank or other parts of the Group.

- **Competition**: Reviews and investigations by competition authorities (which in the United Kingdom include the CMA, the FCA and the PSR) into any aspect of the Group's operations or the functioning of any markets in which the Group operates.

- **Payments**: The Group has been required to make systems changes and update processes to comply with a number of new payment regulations at a European as well as domestic UK level. Within the UK, the PSR has mandated the Group to build systems and processes for both Confirmation of Payee as well as the Contingent Reimbursement Model Code ("**CRM**") which both aim to reduce the level of customer fraud (particularly through our customer's manipulation into making payments known as "Authorised Push Payment" fraud). Under these standards, the Group assumes responsibility for certain categories of customer losses and any inherent failing in system design may lead to fines from regulators and/or compensation being paid to customers. The Group also expects to see significant developments in the key UK payment systems architecture - with systems update of the high value CHAPS system through the Real Time Gross Settlement ("**RTGS**") renewal as well as the "New Payments Architecture" for faster payments, BACS and the other lower value retail payment schemes. The Covid-19 pandemic has also accelerated the existing trend of declining use of cash. Combined with existing overcapacity, this has led the industry to consider the creation of a single "Cash Utility" which would manage the operation of all cash processing infrastructure within the UK. The Second Payment Services Directive ("**PSD2**") has been implemented within the UK and the UK continues to build upon the requirements within the EBA Regulatory Technical Standards via the Open Banking API industry standard and build. Open Banking and PSD2 both have shown that they have the potential to exacerbate a number of existing risks including data loss/data protection, cyber security, fraud and wider financial crime risk, which in turn could give rise to increased costs, litigation risk and risk of regulatory investigation and

enforcement activity. The Group has also adapted systems and pricing to comply with other European regulations - including the Second Cross Border Payments Regulation which has required the Group to reduce prices for the majority of EEA currency payments in line with the price of their domestic equivalents.

- **Data Privacy**: Failure to comply with emerging and recently implemented laws and regulations concerning data privacy and localisation in a number of jurisdictions across the globe may result in regulatory sanctions. In particular, GDPR has introduced new obligations on data controllers and rights for data subjects. The implementation of the GDPR has required substantial amendments to the Group's procedures and policies. The changes have had, and could continue to have, an adverse impact on the Group's business by increasing its operational and compliance costs. If there are breaches of the GDPR obligations, the Group could face significant administrative and monetary sanctions as well as reputational damage. The occurrence of any of these events could have a material adverse effect on the Group's operations, financial condition and prospects.

- **LIBOR**: It is expected that GBP LIBOR will be declared non-representative before the end of 2021, although it is not yet clear when this will occur, and LIBOR for other currencies is likely to be published for some time but also likely to cease in the near future. There is no legal or regulatory framework for the automatic transition of legacy contracts and agreements, the transition away from LIBOR requires a multiyear bank wide programme and the operational, legal and regulatory risks involved in such complex transition could have a material adverse effect on the Group's operations, financial condition and prospects.

- **Insolvency**: Changes to the UK corporate insolvency regime were introduced through the Corporate Insolvency and Governance Act 2020, including a pre insolvency moratorium process for corporates in financial difficulty to give a period of time to seek a rescue or restructure and a new restructuring plan insolvency procedure to enable debt restructures. The Finance Act 2020 re-established certain tax debts owed by corporates as secondary preferential debts, ranking ahead of debts owed to floating charge holders. The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020 will introduce from May 2021 the ability for individuals to apply for a breathing space or mental health crisis moratorium during which creditors may not demand payment of interest or fees that accrue or enforce a debt owed by the applicant. It is not yet clear what impact these changes will have in relation to the collection and recovery of loans to retail and corporate customers who are in financial difficulty or default.

- **Evolving conduct and regulatory policy**: The CMA is seeking enhanced consumer protection powers, and is considering policy issues that may impact financial services, for example 'loyalty penalties' and the impact of digitalisation on consumer outcomes There is the potential that the CMA and FCA take different stances on certain policy issues in these spheres.

The Group may become subject to the provisions of the Banking Act, including bail-in and write down powers

The special resolution regime set out in the Banking Act 2009 provides HM Treasury, the BoE, the PRA and the FCA with a variety of powers for dealing with UK deposit taking institutions (and, in certain circumstances, their holding companies) that are failing or likely to fail, including: (i) to take a bank or bank holding company into temporary public ownership; (ii) to transfer all or part of the business of a bank to a private sector purchaser; or (iii) to transfer all or part of the business of a bank to a 'bridge bank'. The special resolution regime also comprises a separate insolvency procedure and administration procedure each of which is of specific application to banks. These insolvency and administration measures may be invoked prior to the point at which an application for insolvency proceedings with respect to a relevant institution could be made.

If an instrument or order were made under the Banking Act in respect of an entity in the Group, such instrument or order (as the case may be) may, among other things: (i) result in a compulsory transfer of shares or other securities or property of such entity; (ii) have an impact on the rights of the holders of shares or other securities issued by the Group or such entity or result in the nullification or modification of the terms and conditions of such shares or securities; or (iii) result in the de-listing of the shares and/or other securities of such entity. In addition, such an order may affect matters in respect of the Group or such entity and/or other aspects of the shares or other securities of the Group or such entity, which may negatively affect the ability of the Group or such entity to meet its obligations in respect of such shares or securities.

Further, amendments to the Insolvency Act 1986 and secondary legislation have introduced changes to the treatment and ranking of certain debts with the result that certain eligible deposits will rank in priority to the claims of ordinary (i.e. non-preferred) unsecured creditors in the event of an insolvency. This may negatively affect the ability of unsecured creditors to recover sums due to them in an insolvency scenario.

If a 'bail-in' order were made under the Banking Act 2009 as amended by The Financial Services (Banking Reform) Act 2013 (see further '*Regulation of the Group - The Banking Act 2009*'), such an order would be based on the principle that any creditors affected by the 'bail-in' order should receive no less favourable treatment than they would have received had the bank entered into insolvency immediately before the coming into effect of the bail-in power. The bail-in power includes the power to cancel or write down (in whole or in part) certain liabilities or to modify the terms of certain contracts for the purposes of reducing or deferring the liabilities of a bank under resolution and the power to convert certain liabilities into shares (or other instruments of ownership) of the bank. The bail-in power under the Banking Act may potentially be exercised in respect of any unsecured debt securities issued by a bank under resolution or an entity in the Group, regardless of when they were issued. Accordingly, the bail-in power under the Banking Act could be exercised in respect of the Group's debt securities. Public financial support would only be used as a last resort, if at all, after having assessed and utilised, to the maximum extent practicable, the resolution tools including the bail-in tool and the occurrence of circumstances in which bail-in powers would need to be exercised in respect of the Group or any entity in the Group would have a material adverse effect on the Group's operations, financial condition and prospects.

The PRA also has the power to make rules requiring a parent undertaking of a bank to make arrangements to facilitate the exercise of resolution powers, including a power to require a

member of a banking group to issue debt instruments. The exercise of such powers could have an impact on the liquidity of the Group's debt instruments and could materially increase the Group's cost of funding.

In addition, the BRRD provides for resolution authorities to have the power to require institutions and groups to make structural changes to ensure legal and operational separation of 'critical functions' from other functions where necessary, or to require institutions to limit or cease existing or proposed activities in certain circumstances. As a result of changes to the PRA Rulebook made to implement the BRRD, the Group is now required to identify such 'critical functions' as part of its resolution and recovery planning. If used in respect of the Group, these ex ante powers could have a material adverse effect on the Group's operations, financial condition and prospects.

The Group must comply with anti-money laundering, anti-terrorism, anti-bribery and corruption, sanctions and anti-tax evasion laws and regulations and a failure to prevent or detect any illegal or improper activities fully or on a timely basis could have a material adverse effect on the Group's operations, financial condition or prospects

The Group is required to comply with applicable anti-money laundering ("**AML**"), counter-terrorism financing ("**CTF**"), anti-bribery and corruption, sanctions, anti-tax evasion and other laws and regulations in the jurisdictions in which the Group operates. These laws and regulations require the Group, among other things, to conduct customer due diligence (including in respect of sanctions and politically-exposed person screening), ensure account and transaction information is kept up to date and implement effective financial crime policies and procedures detailing what is required from those responsible in order to counter financial crime risks. The Group is also required to conduct financial crime training for its staff and to report suspicious transactions and activity to appropriate law enforcement.

The policies and procedures require the implementation and embedding of effective controls and monitoring within the businesses of the Group, which requires ongoing changes to systems, technology and operational activities. Comprehensive and risk based financial crime training at a group-wide and business unit level is a key element of this, with the FCA providing guidance on expectations within its Financial Crime Guide. Financial crime is continually evolving. This requires proactive and adaptable responses from the Group so that it is able to deter threats and criminality effectively. Even known threats can never be fully eliminated, and there will be instances where the Group may be used by other parties to engage in money laundering and other illegal or improper activities. In addition, the Group relies heavily on its staff to assist the Group by identifying such activities and reporting them, and the Group's staff have varying degrees of experience in recognising criminal tactics and understanding the level of sophistication of criminal organisations. Where the Group outsources any of its customer due diligence, customer screening or anti financial crime operations, it remains responsible and accountable for full compliance and any breaches. If the Group is unable to apply the necessary scrutiny and oversight, or if such oversight proves insufficient to detect illegal or improper activities, there remains a risk of regulatory breach and this could have a material adverse effect on its operations, financial condition and prospects.

Over the last decade, financial crime risk has become the subject of enhanced regulatory scrutiny and supervision by regulators globally, and such scrutiny continues to intensify. Consequently, AML, CTF, anti-bribery and corruption and sanctions laws and regulations have become, and may continue to become, increasingly complex and detailed and have become,

and may continue to become, the subject of enhanced regulatory supervision, requiring improved systems, sophisticated monitoring and skilled compliance personnel. The complexity in the area of financial crime policy is a significant challenge, involving overlapping requirements between different legislation, and, in some instances, conflicts of laws. The divergence of policy approaches between the EU/UK and US in the area of financial sanctions is exacerbated by the lack of clear guidance from the UK Office of Financial Sanctions Implementation.

UK AML / CTF legislation continues to change – most recently in September 2020 – which can lead to substantial amendments to the Group's AML / CTF procedures and policies, with additional training and guidance required for employees. Further such amendments will likely be required going forward to reflect changes to UK laws and Government policy post-Brexit. While there are opportunities to increase effectiveness and efficiency in the overall anti-financial crime system, there are also risks of legislative and regulatory divergence from EU requirements. Significant change could adversely impact the Group's business by increasing its operational and compliance costs and reducing the value of its assets and operations, which would in turn have a material adverse effect on the Group's operations, financial condition and prospects.

If the Group is unable to fully comply with applicable laws, regulations and expectations, its regulators and relevant law enforcement agencies have the ability and authority to pursue civil and criminal proceedings against it, to impose significant fines and other penalties on it, including requiring a complete review of the Group's business systems, day-to-day supervision by external consultants, imposing restrictions on the conduct of the Group's business and operations and ultimately the revocation of the Group's banking licence. The reputational damage to its business and brand could be severe if the Group were found to have materially breached AML, CTF, anti-bribery and corruption or sanctions requirements. The Group's reputation could also suffer if it were unable to protect the Group's customers or its business from being used by criminals for illegal or improper purposes. Any of these outcomes could have a material adverse effect on the Group's operations, financial condition and prospects.

At an operational level, geo-political, economic and social changes can provide opportunities to financial criminals and alter the risks posed to banks. Effective intelligence and monitoring systems within strengthened public/private partnerships to share knowledge on emerging risks are required to help mitigate these risks. However, there can be no guarantee that any intelligence shared by public authorities or other financial institutions will be accurate or effective in helping the Group to combat financial crime, and if, despite such efforts, the Group fails to combat financial crime effectively then this could have a material adverse effect on the Group's operations, financial condition and prospects.

In addition, while the Group reviews its relevant counterparties' internal policies and procedures (for example, under its correspondent banking relationships) with respect to such matters, the Group, to a large degree, relies upon its relevant counterparties to maintain and properly apply their own appropriate anti-financial crime procedures. Such measures, procedures and compliance may not be completely effective in preventing third parties from using its (and its relevant counterparties') services as a conduit for money laundering (including illegal cash operations) without its (or its relevant counterparties') knowledge. There are also risks that other third parties, such as suppliers, could be involved in financial crime. If the Group is associated with, or even accused of being associated with, financial crime (or a business involved in financial crime), then its reputation could suffer and it could become subject to civil or criminal proceedings that could result in penalties, sanctions and legal enforcement (including being added to "black lists" that would prohibit certain parties from engaging in transactions with it),

any one of which could have a material adverse effect on the Group's operations, financial condition and prospects.

The Group is subject to tax-related risks

The Group is subject to the substance and interpretation of UK tax laws and is subject to routine review and audit by tax authorities in relation thereto. The Group's interpretation or application of these tax laws may differ from those of the relevant tax authorities. While the Group provides for potential tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities, the amounts ultimately paid may differ materially from the amounts provided depending on the ultimate resolution of such matters. In general, changes to tax laws and tax rates, including as a result of policy changes by governments and/or regulators, and penalties for failing to comply with such changes, could have a material adverse effect on the Group's operations, financial condition and prospects. Some of these changes may be specific to the banking/financial services sectors and therefore result in the Group incurring an additional tax burden when compared to other industry sectors.

The Group is exposed to risk of loss and damage from civil litigation and/or criminal legal and regulatory proceedings

The Group faces various legal and regulatory issues that have given rise and may give rise to civil or criminal litigation, arbitration, and/or criminal, tax, administrative and/or regulatory investigations, inquiries or proceedings. Failure to adequately manage the risks arising in connection with legal and regulatory issues, including the Group's obligations under existing applicable laws and regulations or its contractual obligations, including arrangements with its customers and suppliers, or failing to properly implement applicable laws and regulations could result in significant loss or damage including reputational damage, all of which could have a material adverse effect on the Group's operations, financial condition and prospects.

Additionally, the current regulatory environment, with the continuing heightened supervisory focus, combined with the forthcoming regulatory change initiatives, will lead to material operational and compliance costs. Relevant risks include:

- Regulators, agencies and authorities with jurisdiction over the Group, including the BoE, the PRA and the FCA, HM Treasury, HM Revenue & Customs ("**HMRC**"), the CMA, the Information Commissioner's Office, the Financial Ombudsman Service ("**FOS**"), the PSR, the Serious Fraud Office ("**SFO**"), the National Crime Agency ("**NCA**"), the Office of Financial Sanctions ("**OFSI**") or the Courts, may determine that certain aspects of the Group's business have not been or are not being conducted in compliance with applicable laws or regulations (or that policies and procedures are inadequate to ensure compliance), or, in the case of the FOS, with what is fair and reasonable in the FOS's opinion. Changes in policy, laws and regulations including in relation to SME dispute resolution and liability for authorised push payment fraud and unauthorised payment fraud, may have significant consequences and lead to material implementation, operational and compliance costs.

- An adverse finding by a regulator, agency or authority could result in the need for extensive changes in systems and controls, business policies, and practices coupled with suspension of sales, restrictions on conduct of business and operations, withdrawal of services, customer redress, fines and reputational damage.

- The increased focus on competition law in financial services and concurrent competition enforcement powers for the FCA and PSR may increase the likelihood of competition law related inquiries or investigations initiated by either the CMA or these authorities. In addition, the CMA's widening focus on market outcomes may result in increased reviews by the CMA of the markets in which the Group operates.

- The alleged historical or current misselling of, or misconduct in relation to, financial products, such as mortgages, arising from causes such as the alleged overcharging of interest, the alleged inappropriate sale of interest-only mortgages and the alleged unfair use of the standard variable rate and Payment Protection Insurance ("**PPI**"), including as a result of having sales practices and/or rewards structures that are deemed to have been inappropriate, has given rise to and may in the future give rise to a risk of civil litigation (including claims management company driven legal campaigns). Such matters may in the future give rise to the risk of regulatory enforcement action requiring the Group to amend sales processes, withdraw products or provide restitution to affected customers, any of which may require additional provisions to be recorded in the Group's financial statements and could adversely impact future revenues from affected products.

- The Group may have held and may continue to hold bank accounts for entities that might be or are subject to scrutiny from various regulators and authorities, including the SFO, the NCA and regulators in the US and elsewhere, which has led and could in the future lead to the Group's conduct being reviewed as part of any such scrutiny.

- The Group may be liable for damages to third parties harmed by the Group's conduct of business. For competition law, there are efforts by governments across Europe to promote private enforcement as a means of obtaining redress for harm suffered as a result of competition law breaches. Under the Consumer Rights Act 2015, there is scope for class actions to be used to allow the claims of a whole class of claimants to be heard in a single action in both follow-on and standalone competition cases.

The Group is (and will continue from time to time to be) subject to certain legal or regulatory investigations, inquiries and proceedings, both civil and criminal including in connection with the Group's lending and payment activities, treatment of customers, relationships with the Group's employees, financial crime, and other commercial or tax matters. These may be brought against the Group under UK legal or regulatory processes, or under legal or regulatory processes in other jurisdictions, such as the EU and the US, in circumstances where overseas regulators and authorities may have jurisdiction by virtue of its activities or operations.

In view of the inherent difficulty of predicting the outcome of legal or regulatory proceedings, particularly where opportunistic claimants seek very large or indeterminate damages, cases present novel legal theories, involve a large number of parties or are in the early stages of discovery, or where the approaches of regulators or authorities to legal or regulatory issues and sanctions applied are subject to change, the Group cannot state with confidence what the eventual outcome of any pending matters will be and any such pending matters are not disclosed by name because they are under assessment. The Group's provisions in respect of any pending legal or regulatory proceedings are made in accordance with relevant accounting requirements. These provisions are reviewed periodically. However, in light of the uncertainties involved in such legal or regulatory proceedings, there can be no assurance that the ultimate resolution of these matters will not exceed the provisions currently accrued by the Group. As a

result, the outcome of a particular matter (whether currently provided or otherwise) could have a material adverse effect on the Group's operations, financial condition and prospects.

The developing legal and regulatory regime in which the Group operates requires it to be compliant across all aspects of its business, including the training, authorisation and supervision of personnel and the development of systems, processes and documentation. If the Group fails to be compliant with relevant law or regulation, there is a risk of an adverse impact on its business from more proactive regulatory intervention (including by any overseas regulator which establishes jurisdiction), investigation and enforcement activity leading to sanctions, fines, civil or criminal penalties, or other action imposed by or agreed with the regulatory authorities, as well as increased costs associated with responding to regulatory inquiries and defending regulatory actions. Customers of financial services institutions, including the Group's customers, may seek redress if they consider that they have suffered loss for example as a result of the misselling of a particular product, or through incorrect application or enforcement of the terms and conditions of a particular product or in connection with a competition law infringement and the Group's rights under a contract with its customers may in certain circumstances be unenforceable or otherwise impaired.

The Financial Services and Markets Act 2000 (Designated Consumer Bodies) Order 2013 (the "**Designated Consumer Bodies Order**") was made on 16 December 2013 and came into force on 1 January 2014. The Designated Consumer Bodies Order designates the National Association of Citizens Advice Bureaux, the Consumers' Association, the General Consumer Council for Northern Ireland and the National Federation of Self Employed and Small Businesses as consumer bodies that may submit a 'super-complaint' to the FCA. A 'super-complaint' is a complaint made by any of these designated consumer bodies to the FCA on behalf of consumers of financial services where it considers that a feature, or a combination of features, of the market for financial services in the UK is seriously damaging the interests of these customers. Complaints about damage to the interests of individual consumers will continue to be dealt with by the FOS. If a 'super-complaint' were to be made against a Group entity by a designated consumer body under the Designated Consumer Bodies Order, any response published or action taken by the FCA could have a material adverse effect on the Group's operations, financial condition and prospects.

Given the: (i) requirement for compliance with an increasing volume of relevant laws and regulations; (ii) more proactive regulatory intervention and enforcement and more punitive sanctions and penalties for infringement; (iii) inherent unpredictability of litigation; (iv) evolution of the jurisdiction of FOS and CMA and related impacts; (v) development of a voluntary dispute resolution service to oversee the resolution of historic complaints from SMEs that meet the relevant eligibility criteria and new complaints from SMEs that would be outside the FOS' proposed revised jurisdiction; (vi) introduction of a voluntary code to enhance protection for customers who are victims of authorised push payment fraud; and (vii) high volume of new regulations or policy changes from multiple regulators and authorities which the Group is mandated to implement within compressed timescales; it is possible that related costs or liabilities could have a material adverse effect on the Group's operations, financial condition and prospects.

Operational risks

Failure to successfully apply or to improve the Group's credit risk management systems could have a material adverse effect on the Group's operations, financial condition and prospects

As a commercial banking group, one of the main types of risks inherent in the Group's business is credit risk. For example, an important feature of the Group's credit risk management system is to employ the Group's own credit rating system to assess the particular risk profile of a customer. This system is primarily generated internally, but, in the case of counterparties with a global presence, also builds off the credit assessment assigned by other Banco Santander group members. As this process involves detailed analysis of the customer or credit risk, taking into account both quantitative and qualitative factors, it is subject to human and IT systems errors. In exercising their judgement on current or future credit risk behaviour of the Group's customers, the Group's employees may not always be able to assign a correct credit rating, which may result in a larger exposure to higher credit risks than indicated by the Group's risk rating system. The Group may not be able to detect all possible risks before they occur, or its employees may not be able to effectively apply its credit policies and guidelines due to limited tools available to the Group, which may increase its credit risk.

Any failure to effectively apply, consistently monitor and refine the Group's credit risk management systems may result in an increase in the level of non-performing loans and higher losses than expected, which could have a material adverse effect on the Group's operations, financial condition and prospects.

The Group's data management policies and processes may not be sufficiently robust

Critical business processes across the Group rely on large volumes of data from a number of different systems and sources. If data governance (including data retention and deletion, data quality and data architecture policies and procedures) is not sufficiently robust, manual intervention, adjustments and reconciliations may be required to reduce the risk of error in the Group's external reports or in reporting to senior management or regulators. Inadequate policies and processes may also affect the Group's ability to use data to service customers more effectively or to improve the Group's product offering. The Group must also comply with requirements under law or regulation which require classification of customers, counterparties, financial transactions or instruments. Financial institutions that fail to comply with in-country (local) and global regulatory and compliance requirements may face supervisory measures, which could in turn have a material adverse effect on the Group's operations, financial condition and prospects.

The Group's business is subject to risks related to cyber-crime

The Group's systems, software and networks may be vulnerable to unauthorised access, misuse, computer viruses or other malicious code and other events that could have a security impact. The interception, misuse or mishandling of personal, confidential or proprietary information sent to or received from a client, vendor, service provider, counterparty or third party could result in legal liability, regulatory action and reputational harm, and therefore have a material adverse effect on the Group's operations, financial condition and prospects.

Furthermore, the Group may be required to expend significant additional resources to modify the Group's protective measures or to investigate and remediate vulnerabilities or other exposures. The Group expects its programmes of change to have an effect on its risk profile, both technological and regulatory. Whether it is the opportunities from adoption of cloud technology, systems to support important regulatory initiatives, or the desire to identify, prioritise and remove obsolete systems from operations, the operational risk associated with systems change is likely to increase and this will therefore remain an area of key focus in the Group's risk management. There can be no assurance that the Group will not suffer material losses from such operational risks in the future, including those relating to any security breaches, which could have a material adverse effect on the Group's operations, financial condition and prospects.

In particular, in recent years the computer systems of companies and organisations have been targeted by cyber criminals, activists and nation-state-sponsored groups. Like other financial institutions, the Group manages and holds confidential personal information of customers in the conduct of its banking operations, as well as a large number of assets. Consequently, the Group has been, and continues to be, subject to a range of cyber-attacks, such as malware, phishing and denial of service.

Cyber-attacks could result in the loss of significant amounts of customer data and other sensitive information, as well as significant levels of liquid assets (including cash). In addition, cyber-attacks could give rise to the disablement of the Group's electronic systems used to service its customers. Any material disruption or degradation of the Group's systems could cause information, including data related to customer requests, to be lost or to be delivered to the Group's clients with delays or errors, which could reduce demand for the Group's services and products. As attempted attacks continue to evolve in both scope and sophistication, the Group may incur significant costs in order to modify or enhance its protective measures against such attacks, or to investigate or remediate any vulnerability or resulting breach, or in communicating cyber-attacks to its customers. If the Group fails to effectively manage its cyber security risk, the impact could be significant and may include harm to the Group's reputation and make the Group liable for the payment of customer compensation, regulatory penalties and fines. Factors such as failing to apply critical security patches from its technology providers, to manage out obsolete technology or to update the Group's processes in response to new threats could give rise to these consequences, which, if they occur, could have a material adverse effect on the Group's operations, financial condition and prospects. This might also include significant increases in the premiums paid on cyber insurance policies or changes to policy limits and cover.

In addition, the Group may also be affected by cyber-attacks against national critical infrastructures in the UK or elsewhere, for example, the telecommunications network or cloud computing providers used by the Group. In common with other financial institutions the Group is dependent on such networks to provide digital banking services to its customers, connect its systems to suppliers and counterparties, and allow its staff to work effectively from their homes. Any cyber-attack against these networks could negatively affect its ability to service its customers. As the Group does not operate these networks it has limited ability to protect the Group's business from the adverse effects of cyber-attack against them. Further, the domestic and global financial services industry, including key financial market infrastructure, may be the target of cyber disruption and attack by cyber criminals, activists or governments looking to cause economic instability. The Group has limited ability to protect its business from the adverse effects of cyber disruption or attack against its counterparties and key national and

financial market infrastructure. If such a disruption or attack were to occur it could have a material adverse effect on the Group's operations, financial condition and prospects.

The Group is exposed to risk from potential non-compliance with policies, employee misconduct, human error, negligence and fraud

The Group is exposed to risk from potential non-compliance with policies, employee misconduct, human error, negligence and fraud. It is not always possible to deter or prevent such non-compliance, employee misconduct, human error, negligence or fraud and the precautions the Group takes to detect and prevent this activity may not always be effective. Any such matters could result in regulatory sanctions and cause reputational or financial harm, which could have a material adverse effect on the Group's operations, financial condition and prospects.

Any failure to effectively manage changes in the Group's information technology infrastructure and management information systems in a timely manner could have a material adverse effect on the Group's operations, financial condition and prospects

The Group's businesses and its ability to remain competitive depends to a significant extent upon the functionality of its information technology systems and on its ability to upgrade and expand the capacity of its information technology infrastructure on a timely and cost-effective basis. The proper functioning of the Group's financial control, risk management, credit analysis and reporting, accounting, customer service, financial crime, conduct and compliance and other information technology systems, as well as the communication networks between branches and main data processing centres, are critical to its businesses and its ability to compete. Investments and improvements in the Group's information technology infrastructure are regularly required in order to remain competitive. It cannot be certain that in the future the Group will be able to maintain the level of capital expenditure necessary to support the improvement, expansion or upgrading of its information technology infrastructure as effectively as its competitors; this may result in a loss of any competitive advantages that the Group's information technology systems provide. Any failure to effectively improve, expand or upgrade its information technology infrastructure and management information systems in a timely manner could have a material adverse effect on the Group's operations, financial condition and prospects.

From time to time the Group is required to migrate information relating its customers to new information technology systems. Any failure to manage such migration effectively could have a negative impact on the Group's ability to provide services to its customers and could cause reputational damage to the Group which could have a material adverse effect on the Group's operations, financial condition and prospects.

The Group may be exposed to unidentified or unanticipated risks despite its risk management policies, procedures and methods and may be exposed to risk related to errors in the Group's risk modelling

The management of risk is an integral part of the Group's activities. The Group seek to monitor and manage its risk exposure through a variety of risk reporting systems. For a further description of our risk management framework see the '*Risk review*'. While the Group employs a broad and diversified set of risk monitoring and risk mitigation techniques and strategies, they may not be fully effective in mitigating the Group's risk exposure in all economic market

environments or against all types of risk, including risks that the Group fails to identify or anticipate.

Some of the Group's tools and metrics for managing risk are based upon its use of observed historical market behaviour. The Group applies statistical and other tools to these observations to arrive at quantifications of its risk exposures. These tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors the Group did not anticipate or correctly evaluate in its statistical models. This would limit its ability to manage its risks. The Group's losses thus could be significantly greater than the historical measures indicate. In addition, the Group's quantified modelling does not take all risks into account. The Group's more qualitative approach to managing those risks could prove insufficient, exposing it to material, unanticipated losses. The Group could face adverse consequences as a result of decisions, which may lead to actions by management, based on models that include errors or are otherwise inadequately developed, implemented or used, or as a result of the modelled outcome being misunderstood. If existing or potential customers or counterparties believe its risk management is inadequate, they could take their business elsewhere or seek to limit their transactions with the Group. These occurrences could have a material adverse effect on the Group's operations, financial condition and prospects.

The Group relies on third parties and affiliates for important infrastructure support, products and services

Third party providers and certain affiliates provide key components of the Group's business infrastructure such as loan and deposit servicing systems, back office and business process support, information technology production and support, internet connections and network access. Relying on these third party providers and affiliates is a source of operational and regulatory risk, including security breaches affecting its third parties and other parties that interact with these providers. As the use and depth of the Group's relationship with these third parties and affiliates increases, including the use of cloud based services, the Group increasingly faces the risk of operational failure with respect to its systems. The Group may be required to take steps to protect the integrity of its operational systems, thereby increasing its operational costs. In addition, any problems caused by these third parties or affiliates, including as a result of them not providing the Group their services for any reason, or performing their services poorly, could adversely affect the Group's ability to deliver products and services to customers and otherwise conduct its business, which could lead to reputational damage and regulatory investigations and intervention. Replacing these third party vendors or affiliates could also entail significant delays and expense. Further, the operational and regulatory risk the Group faces as a result of these arrangements may be increased to the extent that it restructures such arrangements. Any restructuring could involve significant expense to the Group and entail significant delivery and execution risk which could have a material adverse effect on the Group's operations, financial condition and prospects.

The Group relies on recruiting, retaining and developing appropriate senior management and skilled personnel

The Group's continued success depends in part on the continued service of key members of its senior executive team and other key employees. The ability to continue to attract, develop, train, motivate and retain highly qualified and talented professionals is a key element of the Group's strategy. The successful implementation of the Group's strategy depends on the availability of skilled and appropriate management, both at the Group's head office and in each of its business

units. There is also an increasing demand for the Group to hire individuals with digital skills such as data scientist, engineering and designer skill sets. Such individuals are very sought after by all organisations, not just the banking industry, and thus the Group's ability to attract and hire this talent will determine how quickly the bank is able to respond to technological change. If the Group fails to staff its operations appropriately, or loses one or more of its key senior executives or other key employees and fails to replace them in a satisfactory and timely manner, it could have a material adverse effect on the Group's operations, financial condition and prospects.

In addition, the financial services industry has and may continue to experience more stringent regulation of employee compensation, which could have an adverse effect on the Group's ability to hire or retain the most qualified employees. If the Group fails or is unable to attract and appropriately develop, motivate and retain qualified professionals, it could have a material adverse effect on the Group's operations, financial condition and prospects.

Financial reporting risk

The Group's financial statements are based in part on judgements and accounting estimates which, if inaccurate, could cause material misstatement of the Group's future financial results and financial condition.

The preparation of the Consolidated Financial Statements requires management to make judgements and accounting estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting period. Management evaluates its judgements and accounting estimates, which are based on historical experience and on various other factors that are believed to be reasonable under the circumstances, on an on-going basis. Actual amounts may differ from these accounting estimates under different assumptions or conditions. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

As explained in Note 1 to the Consolidated Financial Statements, no significant judgements have been made in the process of applying the Group's accounting policies, other than those involving estimations about credit impairment losses, conduct remediation, pensions and goodwill impairment. Those accounting estimates, as well as the judgements inherent within them, are considered important to the portrayal of the financial results and financial condition because: (i) they are highly susceptible to change from period to period as assumptions are made to calculate the estimates; and (ii) any significant difference between the estimated amounts and actual amounts could have a material impact on the Group's future, financial results and financial condition.

Changes in accounting standards could affect reported earnings

The accounting standard setters and other regulatory bodies periodically change the financial accounting and reporting standards that govern the preparation of the Group's Consolidated Financial Statements. These changes can materially affect how the Group records and reports its financial condition and operating results. In some cases, the Group could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements. Any change in reported earnings as a result of the foregoing could have a material adverse effect on the Group's future financial results and financial condition.

Risks relating to the Securities

Set out below is a brief description of certain risks relating to the Securities, including given their particular features.

The Issuer may at any time elect, and in certain circumstances shall be required, to cancel Distribution payments on the Securities.

The Issuer may at any time elect, in its sole and full discretion, to cancel any Distribution payment (in whole or in part) on the Securities which would otherwise be due on any Distribution Payment Date. Furthermore, the Issuer shall be required to cancel any Distribution payment (in whole or in part) which would otherwise fall due on a Distribution Payment Date if and to the extent that payment of such Distribution would, when aggregated with other relevant stipulated payments or distributions, exceed the Distributable Items of the Issuer or when aggregated with other relevant distributions, cause any Maximum Distributable Amount then applicable to the Group to be exceeded. Furthermore, all payments in respect of or arising from the Securities are subject to the satisfaction of the solvency condition described in Condition 3(a). Additionally, the Regulator has the power under section 55M of the FSMA (implementing Article 104 of the Capital Requirements Directive) to restrict or prohibit payments by an issuer of distributions to holders of additional tier 1 instruments (such as the Securities). These risks are further discussed in the following four risk factors.

If a Loss Absorption Event occurs, all accrued and unpaid Distributions will be cancelled. See further "*The entire principal amount of the Securities will be written off on a permanent basis and all accrued and unpaid Distributions cancelled if a Loss Absorption Event occurs.*"

Distribution payments on the Securities are discretionary and the Issuer may cancel Distribution payments, in whole or in part, at any time. Cancelled Distributions will not be due and will not accumulate or be payable at any time thereafter and investors shall have no rights to receive such Distributions or any amount in lieu thereof.

Distributions on the Securities will be due and payable only at the sole and full discretion of the Issuer. The Issuer will have absolute discretion at all times and for any or no reason to cancel any Distribution payment, in whole or in part, that would otherwise be payable on any Distribution Payment Date.

Distributions will only be due and payable on a Distribution Payment Date if and to the extent such Distributions are not cancelled in accordance with the terms of, the Securities. If the Issuer cancels any scheduled Distribution payment, such Distribution payment will not be or become due and payable at any time thereafter, and accordingly non-payment of such Distribution (or any part thereof) will not constitute a default on the part of the Issuer for any purpose under the Securities. Therefore, in no event will Securityholders have any right to or claim against the Issuer with respect to the amount of such cancelled Distribution (or any amount in lieu thereof) or be able to accelerate the principal of the Securities or take any other enforcement as a result of such Distribution cancellation. Accordingly, there can be no assurance that a Securityholder will receive Distribution payments in respect of the Securities.

Following cancellation of any Distribution payment in respect of the Securities, the Issuer will not be in any way limited or restricted from making any dividend, distribution, interest or equivalent payments on or in respect of any other liabilities or share capital of the Issuer, including dividend

payments on the Issuer's ordinary shares. The Issuer may therefore cancel (in whole or in part) any Distribution payment on the Securities at its discretion and continue to pay dividends on its ordinary shares as well as making dividend or other payments on any preference shares, additional tier 1 instruments and other obligations of the Issuer, notwithstanding such cancellation. In addition, the Issuer may without restriction use funds that could have been applied to make such cancelled payments to meet its other obligations as they become due.

It is the Issuer's current intention that, whenever exercising its discretion to declare any dividend in respect of its ordinary shares, or its discretion to cancel Distributions on the Securities, the Issuer will take into account the relative ranking of these instruments in its capital structure. However, the Issuer may at any time depart from this policy at its sole discretion.

In addition to the Issuer's right to cancel, in whole or in part, Distribution payments on the Securities at any time, the Conditions also restrict the Issuer from making Distribution payments on the Securities if the Issuer has insufficient Distributable Items (based on its individual accounts and not on its consolidated accounts), in which case such Distributions shall be cancelled.

The Issuer shall cancel a Distribution payment (or part thereof) on the Securities on any Distribution Payment Date (and such Distribution payment or the relevant part thereof shall not become due and payable on such date) if and to the extent that payment of the same would, when aggregated together with any distributions on all other own funds instruments (excluding Tier 2 Capital instruments) which are paid or required to be paid in the then current financial year of the Issuer, exceed the amount of the Issuer's Distributable Items for such financial year.

Any Distribution (or part thereof) so cancelled shall not become due and such Distribution (or the relevant part thereof) shall not accumulate or be payable at any time thereafter, and Securityholders shall have no rights thereto or to receive any additional Distributions or compensation as a result of such cancellation. Furthermore, no cancellation of Distributions in accordance with the Conditions shall constitute a default on the part of the Issuer for any purpose under the terms of the Securities, and holders of the Securities will not be entitled to accelerate the principal of the Securities or take any other enforcement action as a result of such Distribution cancellation.

See also "*As the Issuer is a holding company, investors in the Securities will be structurally subordinated to creditors of the Issuer's operating subsidiaries, the level of Distributable Items is affected by a number of factors, and insufficient Distributable Items may restrict the Issuer's ability to make Distribution payments on the Securities.*"

PRA rules include restrictions on the amount of certain distributions or payments that will affect the Issuer's ability to make Distribution payments on the Securities in certain circumstances. In addition, the PRA has the power under section 55M of the Financial Services and Markets Act 2000 (implementing Article 104 of the Capital Requirements Directive) to restrict or prohibit payments of Distributions by the Issuer to Securityholders.

In addition to the requirements described under "*The Group is subject to regulatory capital, liquidity and leverage requirements that could limit its operations, and changes to these requirements may further limit and could have a material adverse effect on the Group's operations, financial condition and prospects*" above, CRD IV introduced capital buffer

requirements that are in addition to the Pillar 1 requirements and Pillar 2A requirement and are required to be met with CET1 Capital. It introduced five new capital buffers: (i) the capital conservation buffer, (ii) the institution-specific counter-cyclical buffer, (iii) the global systemically important institutions ("**G-SII**") buffer, (iv) the other systemically important institutions ("**O-SII**") buffer and (v) the systemic risk buffer ("**SRB**"). Some or all of these buffers may be applicable to the Group as determined by the PRA. In March 2020, in response to the COVID-19 pandemic, the BoE's FPC reduced the UK counter-cyclical buffer to 0 per cent. and expects to maintain this rate for at least twelve months, so that any substantive increase would not take effect until Q4 2022 at the earliest. Additionally, the PRA has decided to maintain the rates of firms' O-SII buffer (which now applies to ring-fenced bodies and large building societies to address their domestic and global systemic importance in the way the SRB did prior to the implementation of CRD V on 29 December 2020) at the SRB rate set in December 2019 until December 2022, with no rate changes taking effect until January 2024. The PRA also has the power to implement the SRB to address macroprudential or systemic risks not covered by Pillar 1 requirements or the G-SII buffer and O-SII buffer, but stated in December 2020 in Policy Statement PS26/20 that it does not plan to introduce an SRB at this time (with the effect that the SRB rate shall remain at 0 per cent.). The SRB rate applies cumulatively with the higher of an institution's G-SII or O-SII buffer rate. The "combined buffer requirement" is, broadly, the combination of the capital conservation buffer, the institution-specific counter-cyclical buffer and the SRB applied cumulatively with the higher of (depending on the institution), the G-SII buffer and the O-SII buffer, in each case as applicable to the institution.

In a policy statement published in November 2016 (PS30/16), the PRA indicated that firms failing to meet the combined buffer requirement and the PRA buffer described below will be expected to notify the PRA of this as soon as practicable and that such firms can expect enhanced supervisory action and should prepare a capital restoration plan. The Issuer would be considered to fail to meet the combined buffer requirement in the event that it does not have own funds in an amount and of the quality needed to meet at the same time: (i) the requirement defined in Article 128(6) of the CRD IV Directive (i.e. the combined buffer requirement); (ii) its 4.5 per cent. Pillar 1 CET1 requirement and its Pillar 2A CET1 requirement; (iii) its 6 per cent. Pillar 1 Tier 1 requirement and its Pillar 2A Tier 1 requirement; and (iv) its 8 per cent. Pillar 1 total capital requirement and its Pillar 2A total capital requirement.

Under Article 141 (Restrictions on distributions) of the CRD IV Directive, institutions that fail to meet the "combined buffer requirement" are subject to restricted "discretionary payments" (which are defined broadly by CRD IV as payments relating to common equity tier 1 such as the Ordinary Shares, variable remuneration and payments on additional tier 1 instruments such as the Securities). Pursuant to policy statements published in December 2020 (PS26/20 and PS29/20), in addition to increasing the Pillar 2A composition requirement from 56 per cent. CET1 capital to 56.25 per cent. CET1 capital, the PRA removed the restriction on firms from making distributions that would cause their CET1 levels to fall into the combined buffer from 11:00pm on 31 December 2020 (the "**Effective EU Exit Time**"), but expects that firms provide the PRA with advance notice of any distribution that would bring a firm's capital levels into the combined buffer, a requirement consistent with BCBS standards.

Once a firm fails to meet its combined buffer requirement, firms are subject to mandatory restrictions on the amount of certain distributions or payments they can make. This maximum amount of discretionary payments (the "**maximum distributable amount**") is calculated by multiplying the profits of the institution by a scaling factor, net of tax. Where CET1 capital not used to meet the own funds requirement is in the bottom quartile of the combined buffer, the scaling factor is 0, and all discretionary payments are prohibited. In the second quartile the

scaling factor is 0.2, in the third it is 0.4 and in the top quartile it is 0.6. In order to strike an appropriate balance between buffer usability and capital conservation, the PRA in PS26/20 and PS29/20 amended the definition of the maximum distributable amount, to include certain profits already recognised as CET1 from the past four calendar quarters net of distributions. In the event of breach of the combined buffer requirement, the Issuer will be required to calculate its maximum distributable amount, and as a consequence it may be necessary for the Issuer to reduce discretionary payments, including potentially exercising its discretion to cancel (in whole or in part) Distribution payments in respect of the Securities.

Firms that do not hold an amount of CET1 equal to or greater than their applicable leverage ratio buffers above their minimum leverage ratio requirements will not face automatic restrictions on their distributions; however, where a firm does not hold an amount of CET1 capital that is equal to or greater than its countercyclical leverage ratio buffer ("**CCLB**") (currently calibrated at 35 per cent. of the countercyclical capital buffer rate) or its additional leverage ratio buffer ("**ALRB**") (currently calibrated at 35 per cent. of the G-SII buffer rate) as applicable, it must notify the PRA immediately and prepare a capital plan and submit it to the PRA. This may, but would not automatically, provide for or result in restrictions on discretionary payments being made by the Group. The PRA also has the power to set an additional capital requirement on a consolidated basis, the Leverage Ratio Group Add-on. On 15 December 2020, the PRA published a Dear CEO letter explaining that the FPC and Prudential Regulation Committee also intend to conduct a review of the UK leverage ratio framework. The outcome of such review is unknown and any resulting regulatory changes may have an adverse impact on the Group or the Issuer's, regulatory requirements.

The Issuer's capital requirements, including Pillar 2A requirements, are, by their nature, calculated by reference to a number of factors any one of which or combination of which may not be easily observable or capable of calculation by investors. The PRA increased transparency around the Pillar 2A process through the publication of policy statements on its methodology for setting Pillar 2 Capital, which was updated in January 2020 in Policy Statement PS2/20 and on CRD V in December 2020 in Policy Statement PS26/20. In May 2020, in response to the COVID-19 pandemic, the PRA announced that it will set Pillar 2A requirements as a nominal amount in firms' 2020 and 2021 supervisory review and evaluation processes, instead of a percentage of total risk weighted assets. The PRA also has additional tools to require firms to hold additional capital, including, for example, a "PRA buffer" (which replaced the PRA Capital Planning Buffer in 2015), which forms part of the Pillar 2B capital buffers and supplements the CRD IV combined buffer requirement. The PRA buffer was phased in over the period from 1 January 2016 to 1 January 2019 and must be met fully with CET1, in addition to the CET1 used to meet the Pillar 1 and Pillar 2A capital and combined buffer requirements. In PS15/20, the PRA introduced a requirement to temporarily increase the PRA buffer to offset some of the reductions in Pillar 2A requirements resulting from the use of a nominal amount instead of a percentage of total risk weighted assets. A failure to satisfy the PRA buffer, if one were to be imposed on the Group, could result in the Group being required to prepare a capital restoration plan. This may, but would not automatically, provide for or result in restrictions on discretionary payments being made by the Group.

Investors may not be able to predict accurately the proximity of the risk of discretionary payments on the Securities being prohibited from time to time. In this regard, the PRA published a Supervisory Statement (SS6/14) and a Policy Statement (PS3/14) in April 2014 which set out the expectations of the PRA on CRD IV capital buffers and provide some clarifications of the PRA rules. The Policy Statement (PS3/14) also contains the final rules implementing the capital buffers requirements of the CRD IV Directive, most of which (including Rule 4.3 which sets out

the method of calculating the maximum distributable amount and restrictions on distributions on additional tier 1 instruments relating to maximum distributable amount) came into force on 1 May 2014. The PRA updated Supervisory Statement (SS6/14) in January 2020 and December 2020 and Policy Statement (PS3/14) in January 2020 following the updates to the Pillar 2 Framework contained in Policy Statement PS2/20 mentioned above, which was intended to bring greater clarity and transparency to the PRA's capital setting approach and the updates in PS26/20 and PS29/20 mentioned above. In a Supervisory Statement (SS16/16) issued in November 2016 and most recently updated in December 2020, the PRA set out its policy regarding the interaction of the MREL, made up of own funds and debt securities qualifying as eligible liabilities, with firm's capital and leverage buffers. The Supervisory Statement (SS16/16) clarifies the PRA's expectations regarding the amount of CET1 that a firm should not count simultaneously towards buffer requirements and MREL (i.e. an amount equal to the size of a firm's usable buffer derived from the MREL requirement and the buffer requirements), and sets out the consequences of not maintaining sufficient CET1 to meet both the usable buffer requirement and MREL, including enhanced supervisory action or a requirement to take steps to strengthen the capital position which could include restricting or prohibiting distributions where appropriate and proportionate. The PRA expects firms not to double count CET1 towards both MREL and the amount reflecting the risk-weighted capital and leverage buffers. The BoE also published a Statement of Policy on its approach to setting MREL in June 2018 which should be read in conjunction with the PRA Supervisory Statement (SS16/16). The BoE's Statement of Policy largely affirmed its earlier approach to MREL but extended the transitional period to meet end-state MREL by two years to January 2022. Firms have been subject to a transitional interim requirement since 1 January 2019. The UK MREL framework also implements the standards set by the Financial Stability Board (the "**FSB**") on TLAC requirements for G-SIBs. In December 2020, the BoE published a discussion paper regarding a review of this Statement of Policy and announced that it will be reviewing the UK MREL framework in 2021. While the discussion paper focuses on mid-tier banks, it is possible that any changes to the BoE's policy regarding MREL following the review could impact the Group's or the Issuer's capital requirements.

The requirements described above may be breached where sufficient levels of own funds and eligible liabilities are not held to meet capital buffer requirements, leverage buffer requirements and MREL (including the additional buffer requirements). Failure to meet the combined buffer requirement may result in a maximum amount of discretionary payments which can be made (including payments on additional tier 1 instruments such as the Securities). A breach of any of the requirements above could result in the need to prepare a capital restoration plan, which may provide for or result in restrictions on distributions on additional tier 1 instruments such as the Securities.

In addition, the PRA has the power under section 55M and 192C of the Financial Services and Markets Act 2000 (implementing Article 104 of the CRD IV Directive) to impose requirements on the Issuer to maintain specified levels of capital on a consolidated basis. These requirements could make it impossible for the Issuer to make Distribution payments on the Securities or to redeem the Securities without placing the Issuer in breach of its regulatory obligations concerning the consolidated capital position of the Issuer. The risk of any such intervention by the PRA is most likely to materialise if at any time the Issuer is failing, or is expected to fail, to meet its capital requirements or buffer requirements. Additionally, there is a new specific regime for holding companies that substantively control their group to be subject to supervisory approval and consolidated supervision. Approval must be sought from the PRA by 28 June 2021 and, if approved, holding companies such as the Issuer will be subject to direct supervision to ensure compliance with consolidated or sub-consolidated prudential requirements and the PRA will have additional powers to enforce compliance.

The interaction of restrictions on distributions with, and the impact of, the capital requirements and buffers and leverage framework applicable, as well as the current implementation of MREL/TLAC requirements, remain uncertain in many respects. Such uncertainty is expected to continue while the relevant authorities in the EU and the UK consult on and finalise their proposals and provide guidance on the application of the rules following the Effective EU Exit Time. Changes to these rules could also result in more own funds and eligible liabilities being required to be held by a financial institution in order to prevent maximum distributable amount restrictions from applying. As a result of such uncertainty, investors may not be able to anticipate whether the Issuer's ability to make interest payments in respect of additional tier 1 instruments such as the Securities may be reduced.

All payments in respect of or arising from the Securities are conditional upon the Issuer being solvent at the time of payment by the Issuer and immediately thereafter

Condition 3.1 provides that (except in a winding-up) all payments in respect of or arising from the Securities are conditional upon the Issuer being solvent at the time of payment by the Issuer and that no payment shall be due and payable in respect of or arising from the Securities except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. Non-payment of any Distributions or principal as a result of the solvency condition in Condition 3.1 not being satisfied shall not constitute a default on the part of the Issuer for any purpose under the terms of the Securities, and holders of the Securities will not be entitled to accelerate the principal of the Securities or take any other enforcement as a result of any such non-payment.

As the Issuer is a holding company, investors in the Securities will be structurally subordinated to creditors of the Issuer's operating subsidiaries, the level of Distributable Items is affected by a number of factors, and insufficient Distributable Items may restrict the Issuer's ability to make Distribution payments on the Securities.

As a holding company, the Issuer relies upon its operating subsidiaries to distribute or dividend profits up the Group structure to the Issuer, including after liabilities to the creditors of the operating subsidiaries have been paid. Accordingly, the investors in the Securities will be structurally subordinated to creditors of the operating subsidiaries of the Issuer (in addition to being subordinated within the Issuer's creditor hierarchy as further discussed below under "*The Securities are unsecured and subordinated obligations of the Issuer. On a winding-up of the Issuer, investors in the Securities may lose their entire investment in the Securities.*")

Further, as a holding company, the level of the Issuer's Distributable Items is affected by a number of factors, principally its ability to receive funds, directly or indirectly, from its operating subsidiaries in a manner which creates Distributable Items. Consequently, the Issuer's future Distributable Items, and therefore the Issuer's ability to make Distribution payments, are a function of the Issuer's existing Distributable Items, the Group's operating profits and distributions to the Issuer from its operating subsidiaries. In addition, the Issuer's Distributable Items may also be adversely affected by the servicing of senior-ranking obligations.

The ability of the Issuer's subsidiaries to pay dividends and the Issuer's ability to receive distributions from the Issuer's investments in other entities is subject to applicable local laws and other restrictions, including their respective regulatory, capital and leverage requirements, statutory reserves, financial and operating performance and applicable tax laws, and any changes thereto. These laws and restrictions could limit the payment of dividends and

distributions to the Issuer by the Issuer's subsidiaries, and to the extent that the Issuer is dependent on the receipt of such dividends and distributions as opposed to other sources of income, such as interest and other payments from its subsidiaries, this could in turn restrict the Issuer's ability to fund other operations or to maintain or increase its Distributable Items. Further, the Issuer's rights to participate in assets of any subsidiary if such subsidiary is liquidated will be subject to the prior claims of such subsidiary's creditors, except to the extent that the Issuer may be a creditor with recognised claims ranking ahead of, or *pari passu* with, such prior claims against such subsidiary.

The entire principal amount of the Securities will be written off on a permanent basis and all accrued and unpaid Distributions will be cancelled if a Loss Absorption Event occurs.

Under the terms of the Securities, if at any time a Loss Absorption Event occurs, all accrued and unpaid Distributions will be cancelled and the entire principal amount of the Securities will be written down to zero on a permanent basis and cancelled. In such circumstances, the Securityholders will have no rights or claims against the Issuer with respect to the principal amount of the Securities, any Distributions or any other amounts under or in respect of the Securities at any time thereafter, whether in a winding-up of the Issuer or otherwise, and there will be no reinstatement (in whole or in part) of the principal amount of the Securities at any time. Accordingly, if a Loss Absorption Event occurs, holders of the Securities will lose their entire investment in the Securities.

A Loss Absorption Event will occur if the Common Equity Tier 1 Capital Ratio of the Group is less than 7 per cent. Whether a Loss Absorption Event has occurred at any time shall be determined by the Issuer, the Regulator or any agent of the Regulator appointed for such purpose by the Regulator, and such determination shall be binding on the Trustee and the Securityholders. The Common Equity Tier 1 Capital Ratio will be calculated on a consolidated basis and without applying the transitional provisions set out in Part Ten of the Capital Requirements Regulation and otherwise in accordance with the applicable prudential rules as at such date. The following two risk factors include discussion of certain risks associated with the determination of the Group's Common Equity Tier 1 Capital Ratio.

In addition, the market price of the Securities is expected to be affected by fluctuations in the Group's Common Equity Tier 1 Capital Ratio. Any reduction in the Group's Common Equity Tier 1 Capital Ratio may have an adverse effect on the market price of the Securities, and such adverse effect may be particularly significant if there is any indication or expectation that the Group's Common Equity Tier 1 Capital Ratio is or is near 7 per cent. This could also result in reduced liquidity and/or increased volatility of the market price of the Securities.

The circumstances surrounding or triggering an Automatic Write Down are inherently unpredictable and may be caused by factors outside of the Issuer's control. The Issuer has no obligation to operate its businesses in such a way, or take any mitigating actions, to maintain or restore the Group's Common Equity Tier 1 Capital Ratio to avoid a Loss Absorption Event and actions the Group takes could result in the Group's Common Equity Tier 1 Capital Ratio falling.

The occurrence of a Loss Absorption Event and, therefore, an Automatic Write Down, is inherently unpredictable and depends on a number of factors, some of which may be outside of the Issuer's control. Although the Issuer currently publicly reports the Group's "end point" Common Equity Tier 1 Capital Ratio (i.e. on a consolidated basis and without applying the

transitional provisions set out in Part Ten of the Capital Requirements Regulation) only as of each quarterly period end, the Loss Absorption Event will occur if the Common Equity Tier 1 Capital Ratio of the Group is less than 7 per cent. Whether a Loss Absorption Event has occurred at any time shall be determined by the Issuer, the Regulator or any agent of the Regulator appointed for such purpose by the Regulator, and such determination shall be binding on the Trustee and the Securityholders. As such, an Automatic Write Down could occur at any time.

The calculation of the Common Equity Tier 1 Capital Ratio of the Group could be affected by, among other things, the growth of the Group's business and the Group's future earnings, dividend payments, regulatory changes (including changes to definitions and calculations of regulatory capital, including Common Equity Tier 1 Capital and Risk Weighted Assets (each of which shall be calculated by the Issuer on an end-point, consolidated basis)), actions that the Issuer or its regulated subsidiaries are required to take at the direction of the Regulator and the Group's ability to manage Risk Weighted Assets in both its on-going businesses and those which it may seek to exit. In addition, the Group has capital resources and risk weighted assets denominated in foreign currencies, and changes in relevant foreign exchange rates will result in changes in the sterling equivalent value of capital resources and risk weighted assets in the relevant foreign currency. Actions that the Group takes could also affect the Group's Common Equity Tier 1 Capital Ratio, including causing it to decline. The Issuer has no contractual obligation to increase the Group's Common Equity Tier 1 Capital, reduce its Risk Weighted Assets or otherwise operate its business in such a way, take mitigating actions in order to prevent the Group's Common Equity Tier 1 Capital Ratio from falling below 7 per cent., to maintain or increase the Group's Common Equity Tier 1 Capital Ratio or otherwise to consider the interests of the Securityholders in connection with any of its business decisions that might affect the Group's Common Equity Tier 1 Capital Ratio.

The calculation of the Group's Common Equity Tier 1 Capital Ratio may also be affected by changes in applicable accounting rules, or by changes to regulatory adjustments which modify the regulatory capital impact of accounting rules. Moreover, even if changes in applicable accounting rules, or changes to regulatory adjustments which modify accounting rules, are not yet in force as of the relevant calculation date, the Regulator could require the Issuer to reflect such changes in any particular calculation of the Group's Common Equity Tier 1 Capital Ratio.

Because of the inherent uncertainty regarding whether a Loss Absorption Event will occur and there being no obligation on the Issuer's part to prevent its occurrence, it will be difficult to predict when, if at all, an Automatic Write Down could occur. Accordingly, the trading behaviour of any Securities may not necessarily follow the trading behaviour of other types of subordinated securities, including any other subordinated debt securities which may be issued by the Issuer in the future. Fluctuations in the Common Equity Tier 1 Capital Ratio of the Group may be caused by changes in the amount of Common Equity Tier 1 Capital of the Group and its Risk Weighted Assets, as well as changes to their respective definitions or method of calculation (including as to the application of adjustments and deductions) under the Capital Rules applicable to the Issuer.

Any indication or expectation that the Group's Common Equity Tier 1 Capital Ratio is moving towards the level which would cause the occurrence of a Loss Absorption Event can be expected to have an adverse effect on the market price and liquidity of the Securities. Therefore, investors may not be able to sell their Securities easily or at prices that will provide

them with a yield comparable to other types of subordinated securities, including the Issuer's other subordinated debt securities.

A Loss Absorption Event may be triggered even when the Group's Common Equity Tier 1 Capital Ratio is above 7.0%, which could cause investors to lose all or part of the value of their investment in the Securities.

Under CRD IV, the Group is required to calculate its consolidated capital resources for regulatory purposes on the basis of "common equity Tier 1 capital". CRD IV requirements adopted in the UK may change, whether as a result of changes to the domesticated versions of the EU legislation and binding regulatory technical standards to be developed by the European Banking Authority or changes to the way in which the PRA interprets and applies these requirements to UK banks or otherwise (including as regards individual model approvals granted by the PRA). Additionally, the UK's capital requirements regime may be determined by reference to other applicable capital regulations in future. In addition, the Basel Committee has continued its post-crisis work on risk weighted assets and leverage reform. In December 2017, "Basel III: Finalising post-crisis reforms" was published, setting out the Basel Committee's finalization of the Basel III framework. Broadly, the finalized package of Basel III regulatory reforms aims to: (i) strengthen risk sensitivity and comparability in credit risk by adopting minimum "input" floors for certain metrics; (ii) introduce a standardized approach to credit valuation adjustment risk; (iii) introduce a standardized approach to operational risk; (iv) provide safeguards against unsustainable levels of leverage by adding a leverage ratio buffer for global systemically important banks; and (v) ensure that banks' "output" floors can be calculated as being 72.5 per cent. of total risk weighted assets The date of implementation for most of the proposed reforms listed above was 1 January 2022, but this has now been extended to 1 January 2023 in response to the COVID-19 pandemic; the output floor requirements are intended to be phased in over a five year period following 1 January 2023, ending on 1 January 2028.

Any such proposals and resulting changes, either individually and/or in aggregate, may lead to further unexpected enhanced requirements in relation to the Group's CRD IV capital, leverage, liquidity and funding ratios or alter the way such ratios are calculated. See "*The entire principal amount of the Securities will be written off on a permanent basis and all accrued and unpaid Distributions will be cancelled if a Loss Absorption Event occurs*".

Investors should be aware that any changes to the CRD IV rules as currently implemented in the UK subsequent to the date hereof may individually and/or in the aggregate further negatively affect the Group's Common Equity Tier 1 Capital Radio and thus increase the risk of a Loss Absorption Event, which will lead to an Automatic Write Down.

The Securities may be subject to statutory bail-in or write down powers under the Banking Act and the BRRD

As described in the risk factor entitled "*The Group may become subject to the provisions of the Banking Act, including ball-in and write down powers*" above, the BRRD bail-in power has been implemented in the UK. The UK bail-in power is an additional power available to the UK resolution authorities under the special resolution regime provided for in the Banking Act to enable them to recapitalise a failed institution by allocating losses to such institution's shareholders and unsecured creditors subject to the rights of such shareholders and unsecured creditors to be compensated under a bail-in compensation order, which is based on the principle

that such creditors should receive no less favourable treatment than they would have received had the bank entered into insolvency immediately before the coming into effect of the bail-in power. The bail-in power includes the power to cancel or write down (in whole or in part) certain liabilities or to modify the terms of certain contracts (including changes to the maturity of instruments or the interest rate under such instruments) for the purposes of reducing or deferring the liabilities (including suspension of payments for a certain period) of a relevant institution under resolution and the power to convert certain liabilities into shares (or other instruments of ownership) of the relevant institution.

The Banking Act specifies the order in which the bail-in tool should be applied, reflecting the hierarchy of capital instruments under CRD IV and otherwise respecting the hierarchy of claims in an ordinary insolvency. In addition, the bail-in tool contains an express safeguard (known as "no creditor worse off") with the aim that shareholders and creditors do not receive a less favourable treatment than they would have received in ordinary insolvency proceedings of the relevant entity.

The Securities are a liability which could be cancelled, written down (in whole or in part) or converted pursuant to the exercise of the bail-in power. In accordance with the insolvency treatment principles described in the risk factor entitled "*The Group may become subject to the provisions of the Banking Act, including ball-in and write down powers*" above, the Securities would be amongst the first of the Issuer's obligations to bear losses through write-down or conversion to equity pursuant to the exercise of the bail-in power because in the event of the insolvency of the Issuer, the claims in respect of the Securities would rank behind all other claims other than claims in respect of share capital of the Issuer.

The BRRD also contains a mandatory write down power which requires member states to grant powers to resolution authorities to recapitalise institutions and/or their EEA parent holding companies that are in severe financial difficulty or at the point of non-viability by permanently writing down, inter alia, capital instruments such as the Securities, or converting those capital instruments into shares. The mandatory write down provision has been implemented in the UK through the Banking Act, and would apply to the Securities. Before taking any form of resolution action or applying any resolution power set out in BRRD, the UK resolution authorities have the power (and are obliged when specified conditions are determined to have been met) to write down, or convert capital instruments such as the Securities into common equity tier 1 capital instruments before, or simultaneously with, the entry into resolution of the relevant entity. These measures could be applied to the Securities.

In contrast to the creditor protections afforded in the event of the bail-in powers being exercised, holders of the Securities would not be entitled to the 'no creditor worse off' protections under the Banking Act in the event that the Securities are written down or converted to equity under the mandatory write-down tool (unless the mandatory write-down tool were to be used alongside a bail in).

Furthermore, if the Securities were to be converted into equity securities by application of the mandatory write-down tool, those equity securities may be subjected to the bail-in powers in resolution, resulting in their cancellation, significant dilution or transfer away from the investors therein.

The Securities are unsecured and subordinated obligations of the Issuer. On a winding-up of the Issuer, investors in the Securities may lose their entire investment in the Securities.

The Issuer's payment obligations under the Securities will be unsecured and will be deeply subordinated (i) on a winding-up of the Issuer, and (ii) in the event that an administrator is appointed to the Issuer and gives notice that it intends to declare and distribute a dividend and, in each case, will rank junior to the claims of unsubordinated creditors of the Issuer and claims in respect of any subordinated indebtedness of the Issuer (other than indebtedness which ranks, or is expressed to rank, *pari passu* with or junior to the Securities). The Securities represent the most junior-ranking claim in a winding-up or administration of the Issuer other than claims in respect of the ordinary share capital of the Issuer.

Accordingly, in the event of a winding-up or administration of the Issuer, the assets of the Issuer would first be applied in satisfying all senior-ranking claims in full, and payments would be made to holders of the Securities, *pro rata* and proportionately with payments made to holders of any other *pari passu* instruments (if any), only if and to the extent that there are any assets remaining after satisfaction in full of all such senior-ranking claims. If, in such circumstances, the Issuer's assets are insufficient to meet all its obligations to senior-ranking creditors, the holders of the Securities will lose their entire investment in the Securities, or if there are sufficient assets to meet all senior-ranking claims but not all claims in respect of the Securities and *pari passu* liabilities, the holders of the Securities will lose some (which may be substantially all) of their investment in the Securities. As a deeply subordinated instrument, if the Issuer enters into a winding-up or administration due to insolvency, there is a significant risk that investors would lose all of their investment in the Securities.

There is no restriction on the amount of securities which the Issuer may issue and which rank senior to, or *pari passu* with, the Securities and accordingly, the Issuer may at any time incur or issue further debt or securities which rank senior to, or *pari passu* with, the Securities. Consequently there can be no assurance that the current level of senior or *pari passu* debt of the Issuer will not change. The issue of any such securities may reduce the amount (if any) recoverable by Securityholders on a winding-up or administration of the Issuer.

If the Issuer's financial condition deteriorates such that there is an increased risk that the Issuer may be wound up or enter into administration, such circumstances can be expected to have a material adverse effect on the market price of the Securities. Investors in the Securities may find it difficult to sell their Securities in such circumstances, or may only be able to sell their Securities at a price which may be significantly lower than the price at which they purchased their Securities. In such a sale, investors may lose some or substantially all of their investment in the Securities, whether or not the Issuer is wound up or enters into administration. Further, trading behaviour in relation to the securities of the Issuer (including the Securities), including market prices and volatility, is likely to be affected by the use or any suggestion of the use of these powers and accordingly, in such circumstances, the Securities may not follow the trading behaviour associated with other types of securities.

The relative ranking of creditors in a winding-up or administration of the Issuer will also determine the order in which losses are incurred in the event of exercise of the write-down and conversion of capital instruments power and/or the bail-in power in the event that the UK resolution authorities exercise powers under the Banking Act.

Although the Securities may potentially pay a higher rate of Distribution (but subject always to the discretion of and, in certain circumstances, requirement on the Issuer to cancel Distributions as previously described in these risk factors) than comparable Securities which are not subordinated, there is a real risk that an investor in the Securities will lose all or some of its investment should the Issuer become insolvent.

The Securities have no scheduled maturity and Securityholders only have a limited ability to cash in their investment in the Securities.

The Securities are perpetual securities and have no fixed maturity date or fixed redemption date. Although under certain circumstances, as described under Condition 6, the Issuer may elect in its sole discretion to redeem the Securities, the Issuer is under no obligation to do so and Securityholders have no right to call for their redemption. Therefore, Securityholders have no option to cash in their investment except by selling their Securities in the secondary market. See also "*The Securities may have no established trading market when issued and are subject to selling and transfer restrictions that may affect the existence and liquidity of any secondary market in the Securities.*" below.

Redemption of the Securities is at all times at the discretion of the Issuer, and an investor may not be able to reinvest the redemption proceeds at as effective a rate of return as that in respect of the Securities.

The Securities may, subject as provided in Condition 6, be redeemed at the sole discretion of the Issuer (i) on any day falling in the period commencing on (and including) 24 March 2026 and ending on (and including) the First Reset Date or any Distribution Payment Date subsequent to the First Reset Date, or (ii) if a Tax Event or Regulatory Capital Event occurs, as further provided in Conditions 6.3 and 6.4, respectively. Any such redemption will be at the principal amount of the Securities together with any unpaid Distributions from the then most recent Distribution Payment Date (but excluding any Distributions which have been cancelled in accordance with the Conditions).

The Issuer's right to redeem is subject to the prior consent of the Regulator and other conditions specified in the Conditions. Subject to satisfaction of those conditions, the Issuer may choose to redeem the Securities at times when prevailing interest rates offer a cheaper cost of funding to the Issuer than the relevant Distribution Rate then applicable to the Securities. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the Distribution Rate on the Securities being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

An optional redemption feature in relation to any security is likely to limit its market value. During any period when the Issuer may elect to redeem the Securities, the market value of the Securities generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Distribution Rate on the Securities will be reset on each Reset Date, which may impact the market price of the Securities.

The Securities will bear Distributions at a fixed rate, reset on five-year intervals on each Reset Date by reference to the 5-year Mid-Swap Rate plus the Margin (being the initial credit spread on the Securities), adjusted for quarterly payments, all as specified in Condition 5.

The market price of securities bearing a fixed rate of interest may be adversely impacted by changes in prevailing market interest rates. In addition, the reset of the Distribution Rate in accordance with such provisions may affect the secondary market for, and the market value of, the Securities. Following any such reset of the Distribution Rate applicable to the Securities, the Reset Rate on the Securities may be lower than the Initial Distribution Rate or any previous Reset Rates.

Reform of SONIA may impact the calculation of the 5-year Mid-Swap Rate and may adversely affect the value and return of the Securities

Benchmark Regulation and reform

The 5-year Mid-Swap Rate used to calculate the Reset Distribution Rate on the First Reset Date and on each subsequent Reset Date is linked to SONIA, which is deemed a “benchmark”.

The UK Benchmarks Regulation, among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed). The UK Benchmarks Regulation could have a material impact on the Securities, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the UK Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

Reference rates and indices, including interest rate benchmarks such as SONIA, which are deemed to be “benchmarks” and which may be used to determine the amounts payable under financial instruments or the value of such financial instruments, have, in recent years, been the subject of regulatory scrutiny and proposals for reform.

Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted.

Risks related to fallbacks

Investors should be aware that if the 5-year Mid-Swap Rate was discontinued or otherwise unavailable, the rate of interest on the Securities would be determined for the relevant period by the fallback provisions applicable to the Securities. The Conditions of the Securities provide for certain fallback arrangements in the event that a published benchmark, such as SONIA, (including any page on which such benchmark may be published (or any successor service)) becomes unavailable. These fallback arrangements may require or result in adjustments to the

interest calculation provisions of the Conditions of the Securities by an Independent Adviser or the Issuer (as applicable). See "*The Trustee may agree to certain modifications to the Conditions and the transaction documents without the Securityholders' prior consent following a cessation or material disruption to a benchmark*" below.

Even prior to the implementation of any changes to any benchmark, or to the interest calculation provisions based on such benchmark, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect the operation of such benchmark during the term of the relevant Securities, as well as potentially adversely affecting both the return on any Securities which are linked to or which reference such benchmark and the trading market for such Securities.

Any such consequences could have a material adverse effect on the value of and return on any such Securities. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant rate could affect the ability of the Issuer to meet its obligations under the Securities or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Securities. Investors should note that the Independent Adviser or the Issuer (as applicable) will have discretion to adjust the relevant alternative rate in the circumstances described above. Any such adjustment could have unexpected commercial consequences and there can be no assurance that, due to the particular circumstances of each Securityholder, any such adjustment will be favourable to each Securityholder.

Investors should consider all of these matters when making their investment decision with respect to the Securities. See also "*The Group's financial results are constantly exposed to market risk. The Group is subject to fluctuations in interest rates and other market risks, which could have a material adverse effect on the Group's operations, financial condition and prospects*" above.

The Trustee may agree to certain modifications to the Conditions and the transaction documents without the Securityholders' prior consent following a cessation or material disruption to a benchmark

In certain situations, including the relevant benchmark ceasing to be administered, the fallback arrangements referenced above will include the possibility that the relevant rate of interest (or, as applicable, component thereof) could be set or, as the case may be, determined by reference to an alternative rate determined by an Independent Adviser or, if the Issuer is unable to appoint an Independent Adviser or the Independent Adviser appointed by the Issuer fails to make such determination, the Issuer acting in good faith and a commercially reasonable manner, and all as more fully described in the Conditions of the Securities.

No consent of the Securityholders shall be required in connection with effecting any alternative rate. In addition, no consent of the Securityholders shall be required in connection with any other related adjustments and/or amendments to the Conditions of the Securities (or any other document) which are made in order to effect any alternative rate. Any such alternative rate, adjustment spread and/or other related amendments to the Conditions of the Securities (or any other document), as applicable, shall be binding upon the Securityholders regardless of whether or not they are materially prejudicial to the interests of the Securityholders.

The market continues to develop in relation to risk free rates (including overnight rates) as reference rates

The market continues to develop in relation to risk free rates, such as SONIA, as reference rates in the capital markets and their adoption as alternatives to the relevant interbank offered rates.

As a result of the evolving nature of risk free rates, the market or a significant part thereof may adopt an application of risk free rates that differs significantly from that set out in the Conditions of the Securities. In this respect, the BoE released a discussion paper in February 2020 entitled "*Supporting Risk-Free Rate transition through the provision of compounded SONIA*" pursuant to which the Bank stated its intention to publish a daily SONIA compounded index and its consideration whether to publish a set of compounded SONIA period averages. There is no guarantee that the BoE a will not withdraw, modify or amend any published SONIA index, or that such index will be widely used in the marketplace. A screen rate based on an observable publicly available average rate or index may evolve over time but there is no guarantee of this. Interest on Securities which reference a backwards-looking risk free rate are only capable of being determined at the end of the relevant observation period and immediately prior to the relevant Distribution Payment Date. It may be difficult for investors in such Securities to reliably estimate the amount of interest which will be payable on such Securities. Investors should consider these matters when making their investment decision with respect to any such Securities.

The Securities may be traded with accrued Distributions, but under certain circumstances described above, such Distribution may be cancelled and not paid on the relevant Distribution Payment Date.

Any Security may trade, and/or the prices for Securities may appear on any stock exchange or other market or trading systems, with accrued Distributions.

However, if a payment of Distributions on any date on which Distributions are payable is cancelled (in each case, in whole or in part) and thus is not due and payable, purchasers of such Securities will not be entitled to that Distribution payment (or the cancelled part thereof) on the relevant date. This may affect a Securityholder's ability to sell Securities in the secondary market.

The Conditions may be modified and certain decisions regarding the Securities may be made without the knowledge and consent of individual Securityholders.

The Trust Deed constituting the Securities contains provisions for calling meetings of Securityholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Securityholders including Securityholders who did not attend and vote at the relevant meeting and Securityholders who voted in a manner contrary to the majority. The Trust Deed constituting the Securities also provides that, subject to the prior consent of the Regulator being obtained (to the extent that such consent is required), the Trustee may (except as set out in the Trust Deed), without the consent of Securityholders, agree to certain modifications of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Securities or to the substitution of another company as principal debtor under the Securities in place of the Issuer in the circumstances described in Condition 12.

The Securities contain limited events of default and the remedies available thereunder are limited.

The only events of default under the Conditions are where (i) the Issuer fails to pay principal in respect of the Securities within seven days of the same having become due for payment, or (ii) the Issuer enters into a winding-up or administration (other than an Approved Winding-up). Investors should note than non-payment of Distributions which are cancelled under the Conditions does not constitute an event of default and will not entitle the Trustee or Securityholders to take any enforcement action. Non-payment of any Distribution or part thereof on a Distribution Payment Date will be evidence that the Issuer has elected or is required to cancel such Distribution (or the relevant part thereof).

The sole remedy against the Issuer available to the Trustee or (where the Trustee has failed to proceed against the Issuer as provided in the Conditions) any Securityholder for recovery of amounts in respect of the Securities will be the institution of proceedings for the winding-up of the Issuer and/or proving in such winding-up or administration and/or claiming in the liquidation of the Issuer, in which case the claim shall be deeply subordinated as provided in Condition 4. The Trustee and the Securityholders may not take any further or other action to enforce, prove or claim for any payment in respect of the Securities.

The Securities may have no established trading market when issued and are subject to selling and transfer restrictions that may affect the existence and liquidity of any secondary market in the Securities.

The Securities may have no established trading market when issued, and one may never develop. If a market does develop it may not be liquid. Therefore, investors may not be able to sell their Securities 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 the Securities.

Further, the Securities have not been, and will not be, registered under the Securities Act or any other securities laws. Accordingly, the Securities are subject to certain restrictions on the resale and other transfer thereof, which may further impact the development of a secondary market.

If a market for the Securities does develop, the trading price of the Securities 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 Securities. Publicly traded securities 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 Securities does develop, it may become severely restricted, or may disappear, if the financial condition and/or the Common Equity Tier 1 Capital Ratio of the Group deteriorates such that there is an actual or perceived increased likelihood of the Issuer being unable, or electing to direct the Issuer not, to pay Distributions on the Securities in full, or of an Automatic Write Down of the Securities occurring or the Securities otherwise becoming subject to loss absorption under the Conditions or the Banking Act. In addition, the market price of the Securities may fluctuate significantly in response to a number of factors, some of which are beyond the Issuer’s control, including:

- variations in operating results in the Group’s reporting periods;

- any shortfall in revenue or net profit or any increase in losses from levels expected by market commentators;
- increases in capital expenditure compared with expectations;
- any perception that the Group's strategy is or may be less effective than previously assumed or that the Group is not effectively implementing any significant projects;
- changes in financial estimates by securities analysts;
- changes in market valuations of similar entities;
- announcements by the Group of significant acquisitions, strategic alliances, joint ventures, new initiatives, new services or new service ranges;
- regulatory matters, including changes in regulatory regulations, PRA or FCA requirements;
- additions or departures of key personnel; and
- future issues or sales of Securities or other securities.

Any or all of these events could result in material fluctuations in the price of Securities which could lead to investors losing some or all of their investment if they elect to sell them.

The issue price of the Securities 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 Securities 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 regulatory approval and compliance with prevailing prudential requirements) purchase Securities at any time, they have no obligation to do so. Purchases made by the Issuer or any member of the Group could affect the liquidity of the secondary market of the Securities and thus the price and the conditions under which investors can negotiate these Securities on the secondary market.

In addition, Securityholders should be aware of global credit market conditions, whereby there is a general lack of liquidity in the secondary market which may result in investors suffering losses on the Securities in secondary resales even if there is no decline in the performance of the Securities or the assets of the Issuer.

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

The Securities 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 Securities 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 United Kingdom or any other jurisdiction.

A change of law may adversely affect Securityholders.

The Conditions are based on English law in effect as at the date of issue of the Securities. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Securities.

If definitive Securities are issued, Securityholders should be aware that definitive Securities which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade.

The denominations of the Securities are £200,000 and integral multiples of £1,000 in excess thereof. Accordingly, it is possible that the Securities may be traded in the clearing systems in amounts in excess of £200,000 that are not integral multiples of £200,000. Should definitive Securities be required to be issued, they will be issued in principal amounts of £200,000 and higher integral multiples of £1,000 but will in no circumstances be issued to Securityholders who hold Securities in the relevant clearing system in amounts that are less than £200,000.

If definitive Securities are issued, Securityholders should be aware that definitive Securities which have a denomination that is not an integral multiple of £200,000 may be illiquid and difficult to trade.

Because the Global Security will be held by or on behalf of Euroclear and Clearstream, Luxembourg investors will have to rely on their procedures for transfer, payment and communication with the Issuer.

The Securities will upon issue be represented by interests in unrestricted and restricted global registered certificates, deposited and registered in the name of a common depositary for Euroclear and Clearstream, Luxembourg. Except in the limited circumstances described in the relevant Global Certificate, investors will not be entitled to receive definitive Securities. Euroclear and Clearstream, Luxembourg will maintain records of the interests in the Global Certificates and interests therein will be traded only through Euroclear and/or Clearstream, Luxembourg, as the case may be, subject to the rules and regulations of such clearing system.

While Securities are represented by one or more Global Certificates, the Issuer will discharge its payment obligations under such Securities by making payments to or to the order of the relevant clearing system nominee and a holder of an interest in a Global Certificate must rely on the procedures of the relevant clearing system in which it holds such interest to receive payments under the relevant Securities. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, interests in the Global Certificates.

Exchange rate risks and exchange controls may result in investors receiving less Distributions or principal than expected.

The Issuer will pay principal and Distributions on Securities 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 may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to pounds sterling would decrease (1) the Investor's Currency-equivalent yield on the Securities, (2) the Investor's Currency-equivalent value of the principal payable on the Securities and (3) the Investor's Currency-equivalent market value of the Securities.

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 Distributions or principal than expected, or no Distributions or principal.

Credit ratings may not reflect all risks relating to the Securities, and a reduction in credit ratings may adversely affect the market price of Securities.

The Securities are expected, on issue, to be rated Ba1 by Moody's, BBB- by Fitch and B+ by S&P. Ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the assigning rating agency at any time.

If a credit rating assigned to the Securities is lower than otherwise expected, or any such credit rating is lowered (whether as a result of a change in the financial condition of the Issuer or as a change in the ratings methodology applied by the relevant rating agency), the market price of the Securities may be adversely affected. Securities with lower ratings, in particular those securities that are not considered to be investment grade securities, will generally be subject to a higher risk of price volatility than higher-rated securities. Furthermore, increases in leverage or deteriorating outlooks for the Issuer or volatile markets could lead to a significant deterioration in market prices of below-investment grade rated securities.

Documents Incorporated by Reference

The following documents shall be incorporated in, and form part of, this Offering Memorandum:

(1) the Annual Report of the Issuer for the year ended 31 December 2020 (which includes the audited consolidated annual financial statements of the Issuer), excluding the sentence "please refer to our latest filings with the SEC (including, without limitation, our Annual Report on Form-20F for the year ended 31 December 2020) for a discussion of certain risk factors and forward-looking statements" on page 278 and the sections entitled "Contact us" and "Key Dates" on page 281; and

(2) the Annual Report of the Issuer for the year ended 31 December 2019 (which includes the audited consolidated annual financial statements of the Issuer), excluding the sentence "please refer to our latest filings with the SEC (including, without limitation, our Annual Report on Form-20F for the year ended 31 December 2019) for a discussion of certain risk factors and forward-looking statements" on page 256 and the sections entitled "Contact us" and "Key Dates" on page 258.

Any statement contained herein or in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Offering Memorandum to the extent that a subsequent statement which is deemed to be incorporated by reference herein or contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise), provided, however, that such statement shall only form part of this Offering Memorandum to the extent that it is contained in a document all of the relevant portion of which is incorporated by reference by way of a supplementary Offering Memorandum. Any statement so modified or superseded shall not, except as so modified or superseded, constitute part of this Offering Memorandum.

Copies of the documents incorporated by reference in this Offering Memorandum are available for viewing at: https://www.santander.co.uk/about-santander/investor-relations/santander-uk-group-holdings-plc

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Memorandum shall not form part of this Offering Memorandum.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Offering Memorandum which is capable of affecting the assessment of any Securities, prepare a supplement to this Offering Memorandum or publish a new Offering Memorandum for use in connection with any subsequent issue of Securities.

Certain information contained in the documents listed above has not been incorporated by reference in this Offering Memorandum. Such information is either (i) not considered by the Issuer to be relevant for prospective investors in the Securities or (ii) is covered elsewhere in this Offering Memorandum.

Use of Proceeds

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

Overview of the Principal Features of the Securities

The following overview refers to certain provisions of the terms and conditions of the Securities and the Trust Deed and is qualified by the more detailed information contained elsewhere in this Offering Memorandum. Terms which are defined in "Terms and Conditions of the Securities" below have the same meaning when used in this overview, and references herein to a numbered "Condition" shall refer to the relevant Condition in "Terms and Conditions of the Securities".

Issue	£450,000,000 Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities.
Issuer	Santander UK Group Holdings plc.
Issue Date	1 March 2021.
Trustee	The Law Debenture Trust Corporation p.l.c.
Status and Subordination	The Securities will constitute direct, unsecured and subordinated obligations of the Issuer and will rank *pari passu* and without any preference among themselves. As provided herein, the rights and claims of the Securityholders against the Issuer are subordinated in a winding-up or administration of the Issuer in accordance with Condition 4 and the provisions of the Trust Deed.
Distributions	The Securities will bear interest for the period from, and including, the Issue Date to, but excluding, 24 September 2026 at a fixed rate of 4.25 per cent. per annum. The Distribution Rate will be reset on each Reset Date. From (and including) each Reset Date to (but excluding) the next succeeding Reset Date thereafter, the Distribution Rate shall be the aggregate of 4.058 per cent. per annum and the applicable 5-year Mid-Swap Rate determined in accordance with Condition 5.
Distribution Payment Dates	Distributions will be payable quarterly in arrear on the Distribution Payment Dates, subject to cancellation as provided herein, on 24 March, 24 June, 24 September and 24 December of each year, except that the Distributions payable (subject as aforesaid) on the first Distribution Payment Date (being 24 March 2021) shall be in respect of the short first Distribution Period from (and including) the Issue Date to (but excluding) 24 March 2021.
Cancellation of Distributions	The Issuer may at any time elect, in its sole and full discretion, to cancel (in whole or in part) the Distribution Amount (as defined herein) otherwise scheduled to be paid on any Distribution Payment Date or on any other date. Without prejudice to the preceding paragraph or the prohibition contained in Article 141(2) of the Capital Requirements Directive (or any provision of applicable law implementing, transposing or

replacing such Article in the UK, or, as the case may be, any succeeding provision amending or replacing such Article or any such implementing provision, including by virtue of the EUWA) concerning the making of payments on the Securities before the Maximum Distributable Amount has been calculated, the Issuer shall cancel any Distribution Amount otherwise scheduled to be paid on a Distribution Payment Date to the extent that such Distribution Amount together with any Additional Amounts payable with respect thereto, when aggregated with any distributions or payments on all other own funds instruments (excluding Tier 2 Capital instruments), paid, declared or required to be paid in the then current financial year of the Issuer exceeds the amount of the Issuer's Distributable Items.

Subject as provided herein, all payments in respect of or arising from the Securities (including Distributions and principal) are conditional upon the Issuer being solvent at the time of payment by the Issuer and immediately following payment.

*Whilst a breach by the Issuer of applicable capital buffer requirements will not necessarily result in the cancellation of Distribution Amounts, the Issuer will be required to cancel any Distribution Amount (in whole or in part) if and to the extent that payment of such Distribution Amount would, when aggregated together with other distributions of the kind referred to in Article 141(2) of the Capital Requirements Directive (or any provision of applicable law implementing, transposing or replacing such Article in the UK, or, as the case may be, any succeeding provision amending or replacing such Article or any such implementing provision, including by virtue of the EUWA), cause the Maximum Distributable Amount (if any) then applicable to the Group to be exceeded. "**Maximum Distributable Amount**" means any maximum distributable amount relating to the Group required to be calculated in accordance with Article 141 of the Capital Requirements Directive (or, as the case may be, any succeeding provision amending or replacing such Article or any such implementing provision, including by virtue of the EUWA).*

All accrued and unpaid Distributions will also be cancelled if a Loss Absorption Event occurs (as further described herein).

The cancellation of any Distribution Amount (in whole or in part) shall not constitute a default for any purpose on the part of the Issuer and Distribution Amounts which are cancelled do not become due and are non-cumulative.

Perpetual Securities

The Securities are perpetual securities with no fixed redemption date, and the Securityholders have no right to require the Issuer to redeem or purchase the Securities at any time.

Redemption at the Option of the Issuer

The Issuer may, subject to (i) the Solvency Condition in Condition 3.1, (ii) the Issuer having obtained Regulatory Approval and (iii) compliance with the Regulatory Preconditions and upon notice to Securityholders, elect to redeem the Securities in whole, but not in part, on any day falling in the period commencing on (and including) 24 March 2026 and ending on (and including) the First Reset Date or on any Distribution Payment Date subsequent to the First Reset Date at their principal amount together with any accrued and unpaid Distributions to (but excluding) the date specified for redemption in accordance with Condition 6.3 (but excluding Distributions which have been cancelled in accordance with the Conditions).

Redemption at the Option of the Issuer upon occurrence of a Tax Event or a Regulatory Capital Event

The Issuer may, subject to (i) the Solvency Condition in Condition 3.1, (ii) the Issuer having obtained Regulatory Approval and (iii) compliance with the Regulatory Preconditions and upon notice to Securityholders, at any time elect to redeem the Securities in whole, but not in part, at their principal amount together with any accrued and unpaid Distributions to (but excluding) the date of redemption (but excluding Distributions which have been cancelled in accordance with the Condition), if a Tax Event or Regulatory Capital Event has occurred and is continuing (and, in the case of a Tax Event, the Issuer cannot avoid the consequences of such Tax Event by taking reasonable measures available to it).

A “**Tax Event**” will occur if:

(i) as a result of a Tax Law Change, in making any payments on the Securities, the Issuer will or would be required to pay Additional Amounts on the Securities;

(ii) as a result of a Tax Law Change:

(1) the Securities will or would no longer be treated as loan relationships for UK tax purposes;

(2) the Issuer will not or would not be entitled to claim a deduction in respect of any payments (other than the repayment of the principal amount of the Securities) in computing its taxation liabilities or the amount of the deduction would be materially reduced;

(3) the Issuer will not or would not, as a result of the Securities being in issue, be 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 the Issuer is or would otherwise be so grouped for applicable UK tax purposes (whether under the group relief system current as at the date of issue of the Securities or

any similar system or systems having like effect as may from time to time exist);

(4) the Issuer will or would, in the future, have to bring into account a taxable credit, taxable profit or the receipt of taxable income if the principal amount of the Securities were written down, on a permanent or temporary basis, or the Securities were converted into ordinary shares in the capital of the Issuer, or

(5) the Securities or any part thereof will or would become treated as a derivative or an embedded derivative for UK tax purposes.

A "**Regulatory Capital Event**" will occur if there is a change in the regulatory classification of the Securities occurring after the date of the issue of the Securities that does, or will, result in the Securities being fully or partially excluded from the Tier 1 Capital of the Group.

Loss Absorption Event

If a Loss Absorption Event occurs at any time, and the occurrence of such Loss Absorption Event is determined by the Issuer, the Regulator or any agent of the Regulator appointed for such purpose by the Regulator pursuant to Condition 7.4, the Issuer shall immediately notify the Regulator. On the following Business Day after (i) the Issuer has determined that a Loss Absorption Event has occurred; or (ii) the Issuer has received notice from the Regulator or its agent that a Loss Absorption Event has occurred, an Automatic Write Down shall occur, whereby all accrued and unpaid Distributions will be cancelled and the entire principal amount of the Securities will be written down to nil on a permanent basis and cancelled. In such circumstances, the Securityholders will have no rights or claims against the Issuer with respect to the principal amount of the Securities, any Distributions or any other amounts under or in respect of the Securities at any time thereafter, whether in a winding-up of the Issuer or otherwise, and there will be no reinstatement (in whole or in part) of the principal amount of the Securities at any time. Accordingly, if a Loss Absorption Event occurs, holders of the Securities will lose their entire investment in the Securities.

A "**Loss Absorption Event**" will occur if the Common Equity Tier 1 Capital Ratio of the Group is less than 7 per cent. The Common Equity Tier 1 Capital Ratio will be calculated on a consolidated basis (and without applying any transitional or phasing in provisions) and in accordance with the applicable prudential rules as at such date. Whether a Loss Absorption Event has occurred at any time shall be determined by the Issuer, the Regulator or any agent of the Regulator appointed for such purpose by the Regulator, and such determination shall be binding on the Trustee

and the Securityholders.

Taxation	Payments on the Securities will be made without deduction or withholding for or on account of United Kingdom tax, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is required by law, in respect of the payment of any Distributions on (but not, for the avoidance of doubt, in respect of any principal of) the Securities, the Issuer will pay such additional amounts as shall be necessary in order that the amounts received by the Securityholders after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of such Distributions on the Securities in the absence of the withholding or deduction ("**Additional Amounts**"), subject to some exceptions, as described in Condition 9.
Non-payment and Enforcement	If default is made for a period of seven days or more in the payment of any principal due in respect of the Securities or any of them, the Trustee in its discretion may, and if so requested by Securityholders of at least one quarter in principal amount of the Securities then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to Condition 11.3), institute proceedings for the winding-up of the Issuer. If at any time prior to the date on which an Automatic Write Down occurs, a winding-up (whether or not instituted by the Trustee as aforesaid and other than an Approved Winding-up) or administration of the Issuer shall occur where the administrator has given notice that it intends to declare and distribute a dividend, the Trustee in its discretion may, and if so requested by Securityholders of at least one quarter in principal amount of the Securities then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to Condition 11.3), prove in the winding-up or administration of the Issuer. No further or other action may be taken to enforce, prove or claim for any such payment.
Form and Denomination	The Securities will be in registered form in denominations of £200,000 and integral multiples of £1,000 in excess thereof.
Listing	Application will be made to the London Stock Exchange plc for the Securities to be admitted to trading on the ISM with effect from on or around the Issue Date.
Ratings	The Securities are expected, on issue, to be rated Ba1 by Moody's, BBB- by Fitch and B+ by S&P.
Governing Law	The Securities and the Trust Deed, and any non-contractual obligations arising out of or in connection therewith, will be

governed by and construed in accordance with English law.

Use of Proceeds	The net proceeds of the issue will be used by the Issuer for general corporate purposes of the Group and to further strengthen the Group's regulatory capital base.
Selling Restrictions	The Securities have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold to investors located in the U.S. or to U.S. persons. The Securities may be sold in other jurisdictions (including the UK) only in compliance with applicable laws and regulations.

Terms and Conditions of the Securities

The £450,000,000 Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (the "**Securities**", which expression shall, unless the context otherwise requires, include any further securities issued pursuant to Condition 16 and forming a single series with the Securities) of Santander UK Group Holdings plc (the "**Issuer**") are constituted by a trust deed dated 1 March 2021 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Securities. 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 Securities referred to below. An Agency Agreement dated 1 March 2021 (as amended or supplemented from time to time, the "**Agency Agreement**") was entered into in relation to the Securities between the Issuer, the Trustee and Citibank, N.A., London Branch as Principal Paying Agent, Calculation Agent and transfer agent (the "**Transfer Agent**"), and Citigroup Global Markets Europe AG as registrar (the "**Registrar**") (and the expressions Registrar and Transfer Agent shall include any successor registrar or transfer agent, respectively, appointed from time to time in connection with the Securities). The principal paying agent and any other paying agent(s) appointed under the Agency Agreement are referred to below respectively as the "**Principal Paying Agent**" and the "**Paying Agents**" (which expression shall include the Principal Paying Agent and any successor paying agent appointed from time to time in connection with the Securities). References herein to the "**Agents**" mean the Registrar, the Principal Paying Agent and the other Paying Agents, Transfer Agents and the Calculation Agent, unless the context otherwise admits. Copies of the Trust Deed and the Agency Agreement are available for inspection (i) during usual business hours and upon reasonable notice at the registered office of the Trustee (presently at 8th Floor, 100 Bishopsgate, London EC2N 4AG) or (ii) electronically on request by emailing the Trustee at Legal.Notices@lawdeb.com, and at the specified office of each of the Paying Agents.

The Securityholders 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, and be bound by, those provisions applicable to them of the Agency Agreement.

Condition 19 contains certain defined terms used herein.

1. FORM, DENOMINATION, REGISTER AND TITLE

1.1 Form and Denomination

(a) The Securities will be in registered form in denominations of £200,000 and integral multiples of £1,000 in excess thereof (each a "**Denomination**").

(b) The Securities will be initially represented by a Global Security which will represent the principal amount of the Securities for the time being outstanding.

(c) The Global Security will be deposited with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg.

(d) The Global Security will be exchanged for Securities in definitive registered form ("**Definitive Securities**") only if Euroclear or Clearstream, Luxembourg is

closed for business for a continuous period of 14 days or more (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee and the Issuer is available, in which case a Securityholder may give notice to the Registrar and the Transfer Agent to exchange the Global Security for Definitive Securities.

(e) Any Definitive Securities issued in exchange for beneficial interests in the Global Security will be issued to and delivered to such persons or registered in such name or names, as the case may be, as the holder of the Global Security shall instruct the Registrar and the Transfer Agent. It is expected that such instructions will be based upon directions received by Euroclear and Clearstream, Luxembourg from Relevant Account Holders with respect to ownership of beneficial interests in the Global Security. Notice of the issue of Definitive Securities in the circumstances set out in paragraph (iv) above will be given promptly by or on behalf of the Issuer to the Securityholders in accordance with Condition 17.

1.2 Register

(a) The Registrar will maintain the Register in respect of the Securities in accordance with the provisions of the Agency Agreement.

(b) The Global Security will be numbered with an identifying number which will be recorded on the Global Security and in the Register. If the Global Security is exchanged for Definitive Securities, such Definitive Securities will be serially numbered and issued in an aggregate principal amount equal to the principal amount outstanding of the Global Security and in registered form only.

1.3 Title

A Securityholder shall (to the fullest extent permitted by applicable law) be treated by the Issuer, the Trustee, the Paying Agents, the Registrar and the Transfer Agent as the absolute owner of such Security for all purposes (including the making of any payment) regardless of any notice of ownership, theft or loss or any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer) and no person shall be liable for so treating such Securityholder.

2. TRANSFERS

2.1 Transfers of interests in Securities generally

(a) Beneficial interests in the Global Security will be shown on, and transfers thereof will be effected only through, records maintained in book entry form by Euroclear and Clearstream, Luxembourg in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in the Global Security will be limited to persons who maintain accounts with Euroclear and Clearstream, Luxembourg or persons who hold interests through such persons. In each case, the request for a transfer must include details of the accounts at Euroclear or Clearstream, Luxembourg, as the case

may be, to be credited and debited, respectively, with the relevant interests in the Global Security.

(b) Title to the Securities shall pass by and upon registration in the Register. Subject as provided otherwise in this Condition 2, a Security may be transferred upon surrender of the relevant Security, with the endorsed form of transfer duly completed, at the specified office of the Registrar and the Transfer Agent, together with such evidence as the Registrar and the Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Security may only be transferred in a whole Denomination.

(c) Securityholders may not require transfers of the Securities to be registered during the period of 15 days ending on the due date for any payment in respect of the Securities.

(d) All transfers of Securities and entries on the Register are subject to the detailed regulations concerning the transfer of Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee, the Registrar and the Transfer Agent. A copy of the current regulations will be made available for inspection (i) during usual business hours and upon reasonable notice at the registered office of the Trustee or (ii) electronically on request by emailing the Trustee at Legal.Notices@lawdeb.com, and at the specified office of each of the Paying Agents.

3. STATUS

The Securities constitute direct, unsecured and subordinated obligations of the Issuer and rank pari passu, without any preference among themselves.

3.1 Condition to payment

Except in a winding-up or administration as provided in Condition 4, all payments in respect of or arising from (including any damages for breach of any obligations under) the Securities are, without prejudice to the right of the Issuer to cancel payments under Conditions 5(a) and 7, conditional upon the Issuer being solvent at the time of payment by the Issuer and no payment shall be due and payable in respect of or arising from the Securities except to the extent that the Issuer could make such payment and still be solvent immediately thereafter.

In these Conditions, the Issuer shall be considered to be "**solvent**" if both (x) it is able to pay its debts to its Senior Creditors as they fall due and (y) its Assets exceed its Liabilities. A certificate as to the solvency of the Issuer by the Chief Financial Officer or, if the Issuer is in a winding-up or administration, its liquidator or administrator (as the case may be) shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee and the Securityholders as correct and sufficient evidence thereof.

3.2 Set-off, etc.

Subject to applicable law, no holder of the Securities may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Securities and each holder of the Securities shall, by virtue of being the holder of any Security, be deemed 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 of the Securities by the Issuer is discharged by set-off, such holder shall, unless such payment is prohibited by 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 administrator, as appropriate of the Issuer for payment to the Senior Creditors in respect of amounts owing to them by 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 administrator, as appropriate of the Issuer (as the case may be), for payment to the Senior Creditors in respect of amounts owing to them by the Issuer and accordingly any such discharge shall be deemed not to have taken place.

The provisions of this Condition 3 apply only to principal and Distributions and any other amounts payable in respect of the Securities and nothing in these conditions shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

4. WINDING-UP

If at any time prior to the date on which an Automatic Write Down occurs:

(i) an order is made or an effective resolution is passed for the winding-up of the Issuer (other than an Approved Winding-up); or

(ii) an administrator of the Issuer is appointed and such administrator gives notice that it intends to declare and distribute a dividend,

there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the Securityholder if, on the day prior to the commencement of such winding-up or administration and thereafter, such Securityholder were (in respect of such Security) the holder of one of a class of preference shares in the capital of the Issuer ("**Notional Preference Shares**"):

(i) ranking *pari passu* as to a return of assets in such winding-up or administration with the holders of Other Additional Tier 1 Securities of the Issuer and with that class or classes of preference shares (if any) from time to time issued or which may be issued by the Issuer which have a preferential right to a return of assets in such winding-up or administration;

(ii) ranking in priority to the holders of all other classes of issued shares for the time being in the capital of the Issuer other than preference shares which, upon issue, qualified (or were intended to qualify) as Tier 2 Capital ("**Tier 2 Preference Shares**"); and

(iii) ranking junior to the claims of Senior Creditors and holders of Tier 2 Preference Shares,

and on the assumption that the amount that such Securityholder was entitled to receive in respect of each such Notional Preference Share on a return of assets in such winding-up or administration were an amount equal to the principal amount of the relevant Security and any accrued but unpaid Distributions thereon (other than Distributions which have been cancelled pursuant to these Conditions).

5. DISTRIBUTIONS

5.1 Cancellation of Distributions

(a) Without prejudice to the provisions of paragraph (ii), below, or the prohibition contained in Article 141(2) of the Capital Requirements Directive (and any implementation of such provision in the UK or, as the case may be, any succeeding provision amending or replacing such Article or any such implementing provision, including by virtue of the EUWA) on the making of payments on the Securities before the Maximum Distributable Amount has been calculated, subject to the extent permitted in respect of partial interest payments in respect of the Securities, the Issuer shall cancel any Distribution Amount otherwise scheduled to be paid on a Distribution Payment Date to the extent that:

(i) such Distribution Amount together with any Additional Amounts payable with respect thereto, when aggregated together with any distributions or payments on all other own funds instruments (excluding Tier 2 Capital Instruments), paid, declared or required to be paid in the then current financial year of the Issuer exceeds the amount of the Issuer's Distributable Items;

(ii) the aggregate of the interest amount payable in respect of the Securities and the amounts of any distributions of the kind referred to in Article 141(2) of the Capital Requirements Directive (and any implementation of such provision in the UK or, as the case may be, any succeeding provision amending or replacing such Article or any such implementing provision, including by virtue of the EUWA) exceeds the Maximum Distributable Amount (if any) applicable to the Issuer as of such Distribution Payment Date;

(iii) the condition to payment under Condition 3(a) is not satisfied in respect of such interest payment;

(iv) the Regulator orders the Issuer to cancel (in whole or in part) the interest otherwise payable on such Distribution Payment Date; or

(v) a Loss Absorption Event has occurred.

The Issuer may, in its sole discretion, elect to make a partial Distribution on any Distribution Payment Date, only to the extent that such partial Distribution may

be made without breaching the restrictions in this Condition 5(a). For the avoidance of doubt, the portion of any Distribution otherwise scheduled to be paid and not paid on the relevant Distribution Payment Date will be deemed to have been cancelled and thus will not be due and payable on such Distribution Payment Date.

(b) Further, the Issuer may at any time elect, in its sole and full discretion, to cancel (in whole or in part) the Distribution Amount otherwise scheduled to be paid on any Distribution Payment Date or on any other date.

(c) If practicable, the Issuer shall provide notice of any cancellation or deemed cancellation of payment of a scheduled Distribution Amount (in whole or in part) to the Securityholders (in accordance with Condition 17), the Trustee, the Registrar and the Principal Paying Agent as soon as possible prior to the relevant Distribution Payment Date. However, any failure to provide such notice will not invalidate the cancellation of payment of a scheduled Distribution Amount or any part thereof, and non-payment of any Distribution Amount (in whole or in part) on any Distribution Payment Date or on any other scheduled date for payment shall constitute evidence that the Issuer has elected or is required to cancel payment of such Distribution Amount (or the relevant part thereof).

(d) The cancellation of any Distribution Amount in accordance with this Condition 5(a) shall not constitute a default for any purpose (including, without limitation, Condition 11) on the part of the Issuer. For the avoidance of doubt, Distribution Amounts which are cancelled in accordance with this Condition 5(a) do not become due and are non-cumulative, and no Distribution Amount which has been cancelled (or any amount in lieu thereof) shall accumulate or be payable in respect of the Securities at any time thereafter, whether in a winding-up or administration of the Issuer or otherwise.

(e) The Trustee shall have no responsibility for, or liability or obligations in respect of, any loss, claim or demand incurred as a result of or in connection with any non-payment or cancellation of Distributions or other amounts or any claims in respect thereof by reason of the application of this Condition 5.

5.2 Distribution Payment Dates

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

Subject to Conditions 3, 5(a) and 7, Distributions, if any, shall be payable on the Securities in equal instalments quarterly in arrear on 24 March, 24 June, 24 September and 24 December in each year (each a "**Distribution Payment Date**"), except that the Distributions payable (subject as aforesaid) on the first Distribution Payment Date (being 24 March 2021) shall be in respect of the period from (and including) the Issue Date to (but excluding) 24 March 2021.

Distributions shall accrue from (and including) the Issue Date to (but excluding) the first Distribution Payment Date (being 24 March 2021) and thereafter from (and including) each subsequent Distribution Payment Date to (but excluding) the immediately following Distribution Payment Date.

5.3 Accrual

Each Security will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Security is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, Distributions will, subject to Conditions 3(a), 5(a) and 7 continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Security have been paid; and

(b) the date on which the full amount of the moneys payable in respect of such Securities has been received by the Principal Paying Agent or the Trustee and notice to that effect has been given to the Securityholders in accordance with Condition 17.

Notwithstanding the foregoing, if an Automatic Write Down occurs pursuant to Condition 7:

(c) each Security will cease to bear interest from and including the time of such Automatic Write Down; and

(d) any Distributions in respect of a Distribution Payment Date which falls on or after the date of such Automatic Write Down shall be deemed to have been cancelled upon the occurrence of such Automatic Write Down and shall not become due and payable.

Distributions in respect of any Security shall be calculated per £1,000 in principal amount thereof (the "**Calculation Amount**"). The amount of Distributions per Calculation Amount for any period shall be the amount equal to the product of the relevant Distribution Rate, the Calculation Amount and the Day Count Fraction, rounding the resulting figure to the nearest penny (half a penny being rounded upwards).

"**Day Count Fraction**" means, with respect to a payment of Distributions:

(i) in respect of the period from (and including) the Issue Date to (but excluding) the relevant payment date which falls on 24 March 2021 (the "**First Accrual Period**"), the number of days in the First Accrual Period divided by four times the number of days in the Determination Period beginning on 24 December 2020; and

(ii) thereafter, the number of days in the period from (and including) the most recent Distribution Payment Date to (but excluding) the relevant payment date (the "**Accrual Period**") divided by four times the number of days in the period from

(and including) the most recent Distribution Payment Date to (but excluding) the next succeeding Distribution Payment Date.

For the purposes of this Condition 5(c):

"**Determination Date**" means 24 March, 24 June, 24 September and 24 December in each year; and

"**Determination Period**" means each period from (and including) a Determination Date to (but excluding) the next Determination Date.

5.4 Initial Distribution Rate and Distribution Amounts

The Distribution Rate for the period from, and including, the Issue Date to, but excluding, the First Reset Date is 4.25 per cent. per annum (the "**Initial Distribution Rate**").

The Distribution Amount which, subject to Conditions 3, 5(a) and 7, shall be payable on each Distribution Payment Date up to (and including) the First Reset Date will (if paid in full) be equal to £10.63 per Calculation Amount, except that the Distribution Amount which, subject as aforesaid, shall be payable on the first Distribution Payment Date will (if paid in full) be equal to £2.68 per Calculation Amount.

5.5 Reset Distribution Rates

The Distribution Rate in respect of a Reset Period (each a "**Reset Distribution Rate**") shall be the aggregate of the Margin and the 5-year Mid-Swap Rate for such Reset Period, determined and converted from an annual to a quarterly basis by the Calculation Agent using the following formula (with the result rounded (if necessary) to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)):

$$Quarterly\ Rate = 4\left[(1 + A)^{\frac{1}{4}} - 1\right]$$

Where A = the sum of the Margin and the relevant 5-year Mid-Swap Rate.

5.6 Determination of Reset Distribution Rates and calculation of Distribution Amounts

The Calculation Agent will, as soon as practicable after 11.00 hours (London time) on each Reset Determination Date, determine the Reset Distribution Rate in respect of the relevant Reset Period and shall calculate the amount of Distributions which (subject to Conditions, 3, 5(a) and 7 and if paid in full) will be payable per Calculation Amount on each Distribution Payment Date falling within such Reset Period. The determination of the Reset Distribution Rate by the Calculation Agent shall (in the absence of manifest error or wilful misconduct) be final and binding upon all parties.

5.7 Publication of Reset Distribution Rates and Distribution Amounts

Unless the Securities are to be redeemed on the First Reset Date or any Distribution Payment Date thereafter, as applicable, the Calculation Agent shall cause notice of each Reset Distribution Rate and the related Distribution Amounts determined as aforesaid to be given to the Securityholders in accordance with Condition 17 and to the Trustee, the Registrar and the Principal Paying Agent as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

5.8 Calculation Agent

The Issuer may from time to time replace the Calculation Agent with another financial institution of international repute. If at any time from the Reset Determination Date, the Calculation Agent is unable or unwilling to continue to act as the Calculation Agent or fails to determine a Reset Distribution Rate or related Distribution Amounts or to effect the required publication thereof (in each case as required pursuant to these Conditions), the Issuer shall forthwith appoint another financial institution of international repute to act as such in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed as aforesaid.

5.9 Determinations of Calculation Agent binding

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

5.10 Benchmark discontinuation

If:

(a) the Issuer determines (in consultation with the Calculation Agent) on the basis of factors including, but not limited to, a public statement by the administrator or the supervisor of the administrator of the 5-year Mid-Swap Rate (or the relevant component part(s) thereof) that (as applicable):

(i) the 5-year Mid-Swap Rate (or the relevant component part(s) thereof) has ceased (or will cease, prior to the next following Reset Determination Date) to be calculated or administered or published by the relevant administrator (in circumstances where no successor administrator has been appointed that will continue publication of the 5-year Mid-Swap Rate (or the relevant component part(s) thereof)); or

(ii) there has otherwise taken place (or will otherwise take place, prior to the next following Reset Determination Date) a change in customary market practice (determined according to factors including, but not

limited to, public statements, opinions and publications of industry bodies and organisations) to refer to a base rate other than the 5-year Mid-Swap Rate (or the relevant component part(s) thereof) despite the continued existence of such 5-year Mid-Swap Rate (or the relevant component part(s) thereof); or

(b) it is unlawful for the Calculation Agent and/or the Issuer to determine or use the 5-year Mid-Swap Rate (or the relevant component part(s) thereof),

then the following provisions shall apply to the Securities:

(1) the Issuer shall use reasonable efforts to appoint an Independent Adviser to determine (in each case in consultation with the Issuer) an Alternative Relevant Rate and such other adjustments (if any) as referred to in this Condition 5(j) for the purposes of determining the 5-year Mid-Swap Rate (or the relevant component part(s) thereof) for all future Reset Periods (subject to the subsequent operation of this Condition 5(j) during any other future Reset Period(s)).

(2) subject to paragraph (3) of this Condition 5(j), if:

(i) the Independent Adviser acting in good faith and in a commercially reasonable manner (in consultation with the Issuer) determines no later than five Business Days prior to the relevant Reset Determination Date relating to the next Reset Period (the "**IA Mid-Swap Determination Cut-off Date**") that an Alternative Relevant Rate has succeeded or replaced the 5-year Mid-Swap Rate (or the relevant component part(s) thereof) in customary market usage in the international debt capital markets for setting rates comparable to the 5-year Mid-Swap Rate (or the relevant component part(s) thereof); or

(ii) the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by the Issuer in accordance with paragraph (1) of this Condition 5(j) fails to determine an Alternative Relevant Rate prior to the relevant IA Mid-Swap Determination Cut-off Date, the Issuer determines (acting in good faith and in a commercially reasonable manner) no later than three Business Days prior to the relevant Reset Determination Date relating to the next Reset Period (the "**Issuer Mid-Swap Determination Cut-off Date**") that an Alternative Relevant Rate has succeeded or replaced the 5-year Mid-Swap Rate (or the relevant component part(s) thereof) in customary market usage in the international debt capital markets for setting rates comparable to the 5-year Mid-Swap Rate (or the relevant component part(s) thereof),

then the 5-year Mid-Swap Rate (or the relevant component part(s) thereof) for all future Reset Periods (subject to the subsequent operation of this Condition 5(j) during any other future Reset Period(s)) shall be such Alternative Relevant Rate.

Without prejudice to the definition thereof, for the purposes of determining an Alternative Relevant Rate and/or applicable adjustments thereto (if any), the Independent Adviser or the Issuer (as applicable) will take into account relevant and applicable market precedents, as well as any published guidance from relevant associations involved in the establishment of market standards and/or protocols in the international debt capital markets and such other materials as the Independent Adviser or the Issuer (as applicable), in its sole discretion, considers appropriate.

(3) Notwithstanding sub-paragraph (ii) in the definition of "5-year Mid-Swap Rate", if:

(i) the Independent Adviser appointed by the Issuer in accordance with paragraph (1) of this Condition 5(j) notifies the Issuer prior to the IA Mid-Swap Determination Cut-off Date that it has determined that no Alternative Relevant Rate exists;

(ii) the Independent Adviser appointed by the Issuer in accordance with paragraph (1) of this Condition 5(j) fails to determine an Alternative Relevant Rate prior to the relevant IA Mid-Swap Determination Cut-off Date, without notifying the Issuer as contemplated in sub-paragraph (3)(i) of this Condition 5(j) and the Issuer (acting in good faith and in a commercially reasonable manner) determines prior to the Issuer Mid-Swap Determination Cut-off Date that no Alternative Relevant Rate exists; or

(iii) an Alternative Relevant Rate is not otherwise determined in accordance with paragraph (2) of this Condition 5(j) prior to the Issuer Mid-Swap Determination Cut-off Date,

the 5-year Mid-Swap Rate in respect of the relevant Reset Period shall be determined as at the last preceding Reset Determination Date or, in the case of the first Reset Determination Date, the 5-year Mid-Swap Rate shall be 0.21760 per cent.

This paragraph (3) shall apply to the relevant Reset Period only. Any subsequent Reset Period(s) shall be subject to the operation of this Condition 5(j).

(4) Promptly following the determination of any Alternative Relevant Rate as described in this Condition 5(j), the Issuer shall give notice thereof and of any adjustments (and the effective date(s) thereof) pursuant to this Condition 5(j) to the Trustee, the Principal Paying Agent, the Calculation Agent and, in accordance with Condition 17, the Securityholders.

The Trustee and the Principal Paying Agent shall, at the direction of the Issuer (following consultation with the Calculation Agent), effect such waivers and consequential amendments to the Trust Deed, the Agency Agreement, these Conditions and any other document as the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) determines may be required to give effect to this Condition 5(j). Prior to any

such waivers and/or consequential amendments taking effect, the Issuer shall provide a certificate signed by two authorised signatories of the Issuer to the Trustee, the Principal Paying Agent and the Calculation Agent which (i) provides details of such waivers and/or consequential amendments and (ii) certifies that such waivers and/or consequential amendments are required to give effect to any application of this Condition 5(j), and the Trustee, the Principal Paying Agent and the Calculation Agent shall be entitled to rely on such certificate without further enquiry or liability to any person. For the avoidance of doubt, the Trustee shall not be liable to the Securityholders or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person. Such changes shall apply to the Securities for all future Reset Periods (subject to the subsequent operation of this Condition 5(j)). No consent of the Securityholders shall be required in connection with effecting the relevant Alternative Relevant Rate as described in this Condition 5(j) or such other relevant adjustments pursuant to this Condition 5(j), including for the execution of, or amendment to, any documents or the taking of other steps by the Issuer or any of the parties to the Trust Deed and/or Agency Agreement (if required).

Notwithstanding the foregoing, the Trustee shall not be obliged to agree to any modification if in the sole opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce rights and/or the protective provisions afforded to the Trustee in these Conditions or the Trust Deed.

Notwithstanding any other provision of this Condition 5(j), no Alternative Relevant Rate will be adopted, and no other amendments to the terms of the Securities will be made pursuant to this Condition 5(j), if and to the extent that, in the sole determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the Securities as Tier 1 Capital.

6. REDEMPTION AND PURCHASE

6.1 Redemption

The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall only have the right to redeem or purchase the Securities in accordance with the following provisions of this Condition 6.

6.2 Redemption at the option of the Issuer

Subject to (i) Condition 3(a), (ii) the Issuer having obtained Regulatory Approval and (iii) compliance with the Regulatory Preconditions, the Issuer may (having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 17, the Securityholders (which notice shall, subject as provided in Condition 6(h), be irrevocable and shall specify the date fixed for redemption)) redeem all, but not some only, of the Securities in accordance with these Conditions:

(a) on any day falling in the period commencing on (and including) 24 March 2026 and ending on (and including) the First Reset Date; or

(b) on any Distribution Payment Date subsequent to the First Reset Date,

in each case at their principal amount together with any unpaid Distributions accrued to (but excluding) the relevant date specified for redemption in accordance with this Condition 6(b) (but excluding any Distributions which have been cancelled in accordance with these Conditions).

6.3 Redemption at the option of the Issuer due to a Tax Event

If immediately prior to the giving of the notice referred to below:

(a) as a result of a Tax Law Change, in making any payments on the Securities, the Issuer will or would be required to pay Additional Amounts on the Securities;

(b) as a result of a Tax Law Change:

(a) the Securities will or would no longer be treated as loan relationships for UK tax purposes;

(b) the Issuer will not or would not be entitled to claim a deduction in respect of any payments (other than the repayment of the principal amount of the Securities) in computing its taxation liabilities or the amount of the deduction would be materially reduced;

(c) the Issuer will not or would not, as a result of the Securities being in issue, be 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 the Issuer is or would otherwise be so grouped for applicable UK tax purposes (whether under the group relief system current as at the date of issue of the Securities or any similar system or systems having like effect as may from time to time exist);

(d) the Issuer will or would, in the future, have to bring into account a taxable credit, taxable profit or the receipt of taxable income if the principal amount of the Securities were written down, on a permanent or temporary basis, or the Securities were converted into ordinary shares in the capital of the Issuer, or

(e) the Securities or any part thereof will or would become treated as a derivative or an embedded derivative for UK tax purposes,

(each such event, a "**Tax Event**"), then the Issuer may, provided that in the case of each Tax Event, the consequences of the Tax Event cannot be avoided by the Issuer taking reasonable measures available to it, and subject to Condition 3(a), to the Issuer having obtained Regulatory Approval and to compliance with the Regulatory Preconditions and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 17, the Securityholders (which notice shall, subject as provided in Condition 6(h), be irrevocable), redeem in accordance with these Conditions at any time, the Securities, in whole, but not in part, at their principal amount, together with any unpaid Distributions accrued to (but

excluding) the date of redemption in accordance with these Conditions (but excluding any Distributions which have been cancelled in accordance with these Conditions).

Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee a certificate signed by the Chief Financial Officer of the Issuer stating that the relevant requirement or circumstance referred to in this Condition 6(c) applies and the consequences of the relevant Tax Event cannot be avoided by the Issuer taking reasonable measures available to it. Such certificate shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the holders of the Securities and all other interested parties as correct, conclusive and sufficient evidence thereof and the Trustee is entitled to rely on such certificate without liability to any person.

6.4 Redemption at the option of the Issuer due to a Regulatory Capital Event

Subject to (i) Condition 3(a), (ii) the Issuer having obtained Regulatory Approval and (iii) compliance with the Regulatory Preconditions, if a Regulatory Capital Event has occurred and is continuing, the Issuer may (having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 17, the Securityholders (which notice shall, subject as provided in Condition 6(h), be irrevocable)) redeem in accordance with these Conditions at any time, the Securities, in whole, but not in part, at their principal amount, together with any unpaid Distributions accrued to (but excluding) the date of redemption in accordance with these Conditions (but excluding any Distribution which have been cancelled in accordance with these Conditions).

Prior to the publication of any notice of redemption pursuant to this Condition 6(d), the Issuer shall deliver to the Trustee a certificate signed by the Chief Financial Officer of the Issuer stating that the relevant requirement or circumstance referred to in this Condition 6(d) applies. Such certificate shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the holders of the Securities and all other interested parties as correct, conclusive and sufficient evidence thereof and the Trustee is entitled to rely on such certificate without liability to any person.

6.5 Purchases

Subject to the Issuer having obtained Regulatory Approval and to compliance with the Regulatory Preconditions, the Issuer or any Holding Company of the Issuer or any Subsidiary of the Issuer or of any such Holding Company may at any time purchase Securities in the open market or otherwise at any price.

Such Securities may, at the option of the Issuer or the relevant Holding Company or the relevant Subsidiary, be held, re-issued, re-sold or surrendered to the Principal Paying Agent for cancellation.

6.6 Cancellation

All Securities purchased in accordance with Condition 6(e) above and surrendered for cancellation and all Securities redeemed by the Issuer shall be cancelled forthwith. Any

Securities so cancelled may not be re-issued or re-sold and the obligations of the Issuer in respect of any such Securities shall be discharged.

6.7 Trustee Not Obliged to Monitor

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 6 and will not be responsible to Securityholders for any loss arising from any failure by the Trustee to do so. Unless and until the Trustee has actual knowledge 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.

6.8 Notices Final

Subject as follows, upon the expiry of any notice as is referred to in Condition 6(b), 6(c) or 6(d), the Issuer shall be bound to redeem the Securities in accordance with the terms of such Condition.

Notwithstanding the foregoing, if the Issuer has elected to redeem the Securities pursuant to Condition 6(b), 6(c) or 6(d) but the condition to payment referred to in Condition 3(a) is not (or would not if payment were made be) satisfied on the applicable redemption date, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect, the Securities will not be redeemed on such date and no payment of the redemption amount will be due and payable. If any such redemption notice is rescinded, the Issuer shall promptly give notice to the Securityholders in accordance with Condition 17 and to the Trustee, the Registrar and the Principal Paying Agent.

If the Issuer has elected to redeem the Securities but, prior to the payment of the redemption amount with respect to such redemption, a Loss Absorption Event occurs, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect, the Securities will not be redeemed, no payment of the redemption amount will be due and payable and instead an Automatic Write Down shall occur as described in Condition 7.

7. PRINCIPAL LOSS ABSORPTION

7.1 Loss Absorption

If a Loss Absorption Event occurs at any time, and the occurrence of such Loss Absorption Event is determined by the Issuer pursuant to Condition 7(d), the Issuer shall immediately notify the Regulator of the occurrence of the Loss Absorption Event. On the Business Day following (1) the determination that a Loss Absorption Event has occurred (where the occurrence of such Loss Absorption Event is determined by the Issuer pursuant to Condition 7(d)) or (2) the Issuer receiving notice from the Regulator or its agent that a Loss Absorption Event has occurred (where the occurrence of such Loss Absorption Event is determined by the Regulator or its agent pursuant to Condition 7(d)), an Automatic Write Down shall occur.

Effective upon, and following, the Automatic Write Down, Securityholders shall not have any rights against the Issuer with respect to:

(a) repayment of the principal amount of the Securities or any part thereof;

(b) the payment of any Distributions for any period; or

(c) any other amounts arising under or in connection with the Securities.

As a result of such Automatic Write Down, the full principal amount of the Securities and any accrued and unpaid Distributions shall be written down to zero and the Securities shall be cancelled.

7.2 Notice of Write Down

Following the determination that a Loss Absorption Event has occurred, where the occurrence of such Loss Absorption Event is determined by the Issuer pursuant to Condition 7(d), the Issuer shall immediately notify the Regulator. Promptly following (1) the determination that a Loss Absorption Event has occurred (where the occurrence of such Loss Absorption Event is determined by the Issuer pursuant to Condition 7(d)) or (2) the Issuer receiving notice from the Regulator or its agent that a Loss Absorption Event has occurred (where the occurrence of such Loss Absorption Event is determined by the Regulator or its agent pursuant to Condition 7(d)), the Issuer shall promptly give notice (which notice shall be irrevocable and shall specify that a Loss Absorption Event has occurred and the date on which the Automatic Write Down shall occur (or, if applicable, shall have occurred)) to the Securityholders in accordance with Condition 17 and to the Trustee, the Registrar and the Principal Paying Agent. Such notice to the Trustee shall be accompanied by a certificate signed by the Chief Financial Officer of the Issuer stating that the Loss Absorption Event has occurred and giving details thereof, and the Trustee shall rely on such certificate without liability to any person. Any failure by the Issuer to give any such notice will not in any way impact the effectiveness of the Automatic Write Down or give any Securityholder any rights as a result of such failure.

7.3 Consequences of a Loss Absorption Event

Once the principal amount of a Security has been Written Down, it will not be restored in any circumstances, including where the Loss Absorption Event ceases to continue. For the avoidance of doubt, the principal amount of a Security shall not be reduced to below zero under any circumstances.

7.4 Loss Absorption Event

A "**Loss Absorption Event**" shall occur if the Common Equity Tier 1 Capital Ratio of the Group is less than 7 per cent.

Whether a Loss Absorption Event has occurred at any time shall be determined by the Issuer, the Regulator or any agent of the Regulator appointed for such purpose by the Regulator, and such determination shall be binding on the Trustee and the Securityholders. The Trustee shall have no responsibility for, or liability or obligations in

respect of, any loss, claim or demand incurred as a result of or in connection with any non-payment, cancellation or write-down of principal, Distributions or other amounts or any claims in respect thereof by reason of the occurrence of a Loss Absorption Event. For the avoidance of doubt, notwithstanding the occurrence of a Loss Absorption Event, nothing in these conditions shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

8. PAYMENTS

8.1 Method of Payment

Payments of principal in respect of each Security (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Security at the specified office of the Registrar and Transfer Agent or any of the Paying Agents. Payments of Distributions and principal will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Security appearing in the register of holders of the Securities maintained by the Registrar and the Transfer Agent (the "**Register**"):

(a) where the Securities are represented by a Global Security, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg, as applicable, are open for business) before the relevant due date; and

(b) where the Securities are in definitive form, at the close of business on the fifteenth (15th) Business Day before the relevant due date.

For these purposes, "**Designated Account**" means the account maintained by a holder with a bank which processes payments in pounds sterling, the details of which are set out in the Register at close of business on the relevant date as aforesaid. No commissions or expenses shall be charged to such holders by the Issuer, the Registrar, the Paying Agents or the Transfer Agent in respect of any payments of principal or Distributions in respect of the Securities.

The holder of a Global Security shall be the only person entitled to receive payments in respect of Securities from the Issuer while such Securities are represented by such Global Security and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Security in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Securities represented by such Global Security must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Security.

8.2 Payments subject to Fiscal Laws

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in any jurisdiction, but without prejudice to the provisions of Condition 9. For the purposes of the preceding sentence, the phrase "fiscal or other laws, regulations

and directives" shall include any obligation of the Issuer to withhold or deduct from a payment pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations thereunder or official interpretations thereof or any law implementing an intergovernmental approach thereto.

8.3 Appointment of Agents

The initial Agents are initially appointed by the Issuer. Subject as provided in the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Securityholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of any or all of the Agents and to appoint additional or other Agents, provided that the Issuer shall at all times maintain:

(a) a Principal Paying Agent, a Registrar and (at all times when a Calculation Agent is required to perform any calculation or determination under these Conditions) a Calculation Agent;

(b) a Paying Agent having its specified office outside the UK; and

(c) a Paying Agent in any other jurisdiction as may be required by the rules and regulations of any stock exchange or market on which the Securities are for the time being listed, quoted and/or admitted to trading.

Notice of any such change or any change of any specified office shall promptly be given to the Securityholders in accordance with Condition 17.

8.4 Non-Payment Days

If any date for payment in respect of any Security is not a Payment Day, the holder shall not be entitled to payment until the next following Payment Day nor to any additional Distributions or other sum in respect of such postponed payment. In these Conditions, "**Payment Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business:

(a) in London; and

(b) where presentation of a Definitive Security is required for payment as required, in the place where such Security is presented for payment.

8.5 Partial Payments

If the amount of principal or a Distribution which is due on the Securities is not paid in full, the Registrar will annotate the Register with a record of the amount of principal or Distribution in fact paid.

9. TAXATION

9.1 Payment without withholding

All payments of principal and Distributions in respect of the Securities by the Issuer will be made without withholding of or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of the UK, or any political subdivision of the same or authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, in respect of the payment of any Distributions on (but not, for the avoidance of doubt, in respect of any principal of) the Securities, the Issuer will pay such additional amounts ("**Additional Amounts**") as may be necessary in order that the net amounts receivable by the holders after such withholding or deduction shall equal the amounts which would have been receivable in respect of such Distributions on their Securities in the absence of any requirement to make such withholding or deduction, except that no such Additional Amounts shall be payable in relation to any payment with respect to any Security:

(a) where presentation is required, presented for payment by, or by a third party on behalf of, a holder who in any case (a) would be able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of nonresidence or other similar claim for exemption to the relevant tax authority but fails to do so, or (b) is liable to such taxes, duties, assessments or governmental charges in respect of such Security by reason of his having some connection with the UK other than the mere holding of such Security; or

(b) where presentation is required, where such Security is presented for payment in the UK; or

(c) where presentation is required, presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting the same for payment on the last day of such period of 30 days, assuming that day had been a Payment Day if that day was not in fact a Payment Day.

The "**Relevant Date**" means the date on which the payment in respect of the Security first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the "**Relevant Date**" means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Securityholders in accordance with Condition 17.

As provided in Condition 8(b), all payments in respect of the Securities will be made subject to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto, and the Issuer shall not be required to pay any Additional Amounts under this Condition on account of any such deduction or withholding described in this paragraph.

9.2 Additional Amounts

Any reference in these Conditions to any Distributions in respect of the Securities shall be deemed also to include any Additional Amounts which may be payable under this Condition 9.

10. PRESCRIPTION

The Securities will become prescribed unless claims in respect of principal and/or Distributions are made within a period of 10 years in the case of principal and five years in the case of Distributions from the Relevant Date (as defined in Condition 9) relating hereto. The Issuer shall be discharged from its obligation to pay principal on a Security to the extent that the relevant Security certificate has not been surrendered to the Registrar and Transfer Agent by the end of the period of 10 years from the Relevant Date in respect of such payment.

11. NON-PAYMENT AND ENFORCEMENT

11.1 Rights to institute and/or prove in a winding-up

Notwithstanding any of the provisions below in this Condition 11, the right to institute winding-up proceedings is limited to circumstances where payment of principal has become due and is not duly paid.

If default is made for a period of seven days or more in the payment of any principal due in respect of the Securities or any of them, the Trustee in its discretion may, and if so requested by Securityholders of at least one quarter in principal amount of the Securities then outstanding (as defined in the Trust Deed) or if so directed by an Extraordinary Resolution, shall (subject in each case to Condition 11(c)) institute proceedings for the winding-up of the Issuer but (subject to the following paragraph) may take no further or other action to enforce, prove or claim for any such payment.

If at any time prior to the date on which an Automatic Write Down occurs, a winding-up (whether or not instituted by the Trustee as aforesaid and other than an Approved Winding-up) or administration of the Issuer shall occur where the administrator has given notice that it intends to declare and distribute a dividend, the Trustee in its discretion may, and if so requested by Securityholders of at least one quarter in principal amount of the Securities then outstanding or if so directed by an Extraordinary Resolution, shall (subject in each case to Condition 11(c)) prove in such winding-up or administration of the Issuer and/or claim in the liquidation of the Issuer in respect of the Securities, such claim being as provided in Condition 4.

No payment in respect of the Securities or the Trust Deed may be made by the Issuer pursuant to this Condition 11(a) nor will the Trustee accept the same (provided it has notice or actual knowledge of the relevant circumstances) otherwise than during or after a winding-up of the Issuer or after an administrator of the Issuer has given notice that it intends to declare and distribute a dividend.

11.2 Enforcement

Without prejudice to Condition 11(a), the Trustee may at its discretion and without further notice institute such proceedings and/or take such other action against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Trust Deed, these Conditions and the Securities (other than any payment obligation of the Issuer under or arising from the Securities or the Trust Deed including, without limitation, payment of any principal or Distributions in respect of the Securities and any damages awarded for breach of any obligations) provided that in no event shall the Issuer, by virtue of the institution of any such proceedings and/or the taking of such other action, be obliged to pay any sum or sums (in cash or otherwise) sooner than the same would otherwise have been payable by it. Nothing in this Condition 11(b) shall, subject to Condition 11(a), prevent the Trustee instituting proceedings for the winding-up of the Issuer, proving in any winding-up of the Issuer and/or claiming in any liquidation of the Issuer in respect of the Securities or the Trust Deed.

11.3 Entitlement of the Trustee

The Trustee shall not be bound to take any of the actions referred to in Condition 11(a) or Condition 11(b) above to enforce the obligations of the Issuer under the Trust Deed or the Securities or to take any other action under or pursuant to these Conditions or the Trust Deed unless (i) it shall have been so directed by an Extraordinary Resolution of the Securityholders or so requested in writing by the holders of at least one quarter in principal amount of the Securities then outstanding and (ii) in either case then only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

11.4 Right of Securityholders

No Securityholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up or claim in the liquidation of the Issuer or to prove in such winding-up unless the Trustee, having become so bound to proceed or being able to prove in such winding-up or claim in liquidation, fails to do so within a reasonable period and such failure is then continuing, in which case the Securityholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 11.

11.5 Extent of Securityholders' remedy

No remedy against the Issuer, other than as referred to in this Condition 11, shall be available to the Trustee or the Securityholders, whether for the recovery of amounts owing in respect of the Securities 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 Securities or under the Trust Deed.

The provisions of this Condition 11 apply only to principal and Distributions and any other amounts payable in respect of the Securities and nothing in these Conditions shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

12. MEETINGS OF SECURITYHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

12.1 Meetings of Securityholders

The Trust Deed contains provisions for convening meetings of Securityholders 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 Securityholders holding not less than 10 per cent. in principal amount of the Securities for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in principal amount of the Securities for the time being outstanding, or at any adjourned meeting one or more persons holding or representing Securityholders whatever the principal amount of the Securities held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the dates of optional redemption of the Securities or any date for payment of Distributions on the Securities, (ii) to reduce or cancel the principal amount of the Securities, (iii) to reduce the rate or rates of Distribution in respect of the Securities or to vary the method or basis of calculating the rate or rates or amount of Distributions or the basis for calculating any Distribution amount in respect of the Securities, (iv) to vary the currency or currencies of payment or denomination of the Securities, (v) to increase the Common Equity Tier 1 Capital Ratio at which a Loss Absorption Event occurs, (vi) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, (vii) to modify the provisions concerning the quorum required at any meeting of Securityholders or the majority required to pass an Extraordinary Resolution, or (viii) to modify Condition 3. In each such case the necessary quorum shall be one or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one third, in principal amount of the Securities for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Securityholders (whether or not they were present at the meeting at which such resolution was passed, and whether or not voting on such Extraordinary Resolution).

In addition, a resolution in writing or consent given by way of electronic consents through the relevant clearing systems (in a form satisfactory to the Trustee) signed or provided (as applicable) by or on behalf of the holders of at least 75 per cent. in aggregate principal amount outstanding of the Securities who for the time being are entitled to receive notice of a meeting of Securityholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. A 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 Securityholders.

12.2 Modification of the Trust Deed or the Agency Agreement

The Trustee may agree, without the consent of the Securityholders, to (i) any modification of any of these Conditions and the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of applicable law, and (ii) any other modification (except as mentioned in the Trust Deed),

and any waiver or authorisation of any breach or proposed breach, of any of these Conditions and the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Securityholders.

In addition, the Trustee shall, without the consent of the Securityholders, concur with the Issuer in making modifications to these Conditions and/or other relevant transaction documents to which it is a party that the Issuer considers necessary in the circumstances set out in Condition 5(j).

Any such modification, authorisation or waiver shall be binding on the Securityholders and, unless the Trustee otherwise requires, such modification shall be notified by the Issuer to the Securityholders as soon as practicable thereafter.

12.3 Consent from the Regulator

No modification to these Conditions or any other provisions of the Trust Deed nor any substitution of the Issuer shall become effective unless the Issuer shall have received the consent of the Regulator (unless such consent is not then required under the Capital Rules) and, prior to effecting any such modification, the Issuer shall confirm to the Trustee whether or not such consent has been received.

12.4 Substitution

The Trustee may from time to time, without the consent of the Securityholders, agree with the Issuer (or any previous Substitute Issuer) to the substitution on a subordinated basis equivalent to that referred to in Condition 3 of a Subsidiary or successor in business of the Issuer, a Holding Company of the Issuer or another Subsidiary of such Holding Company (the "**Substitute Issuer**") in place of the Issuer (or of any previous Substitute Issuer) as a new principal debtor under these presents provided that:

(a) a trust deed is executed or some other form of undertaking is given by the Substitute Issuer in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of the Trust Deed, with any consequential amendments which the Trustee may deem appropriate, as fully as if the Substitute Issuer had been named in the Trust Deed and on the Securities, as the principal debtor in place of the Issuer (or of any previous Substitute Issuer);

(b) the directors of the Substitute Issuer or other officers acceptable to the Trustee certify that the Substitute Issuer is solvent at the time at which the said substitution is proposed to be effected and will remain solvent immediately after such substitution is effected (and the Trustee may rely absolutely on such certification and shall not be bound to have regard to the financial condition, profits or prospects of the Substitute Issuer or to compare the same with those of the Issuer);

(c) (without prejudice to the rights of reliance of the Trustee under sub-paragraph (ii) above) the Trustee is satisfied that the said substitution is not materially prejudicial to the interests of the Securityholders;

(d) (without prejudice to the generality of sub-paragraph (i) hereof) the Trustee may in the event of such substitution agree, without the consent of the Securityholders, to a change in the law governing the Trust Deed and/or the Securities, provided that such change is not in the opinion of the Trustee materially prejudicial to the interests of the Securityholders; and

(e) if the Substitute Issuer is, or becomes, subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "**Substituted Territory**") other than or in addition to the territory or any such authority to the taxing jurisdiction of which the Issuer is subject generally (the "**Issuer's Territory**"), the Substitute Issuer will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 9 with the substitution for or as the case may be, in addition to, the references in that Condition and in Condition 6(c) (and, in each case, the relevant defined terms used therein) to the Issuer's Territory of references to the Substituted Territory whereupon the Trust Deed, these Conditions and the Securities will be read accordingly.

Any such trust deed or undertaking shall, if so expressed, operate to release the Issuer or any previous Substitute Issuer (as the case may be) as aforesaid from all of its obligations as principal debtor under the Trust Deed. Not later than 14 days after the execution of such documents and compliance with such requirements, the Substitute Issuer shall give notice thereof in a form previously approved by the Trustee to the Securityholders in the manner provided in Condition 17. Upon the execution of such documents and compliance with such requirements, the Substitute Issuer shall be deemed to be named in the Trust Deed as the principal debtor in place of the Issuer (or in place of the previous substitute) under the Trust Deed and the Trust Deed shall be deemed to be modified in such manner as shall be necessary to give effect to the above provisions and, without limitation, references in the Trust Deed to the Issuer shall, unless the context otherwise requires, be deemed to be or include references to any Substitute Issuer.

13. ENTITLEMENT OF THE TRUSTEE

In connection with any exercise of its trusts, powers, authorities and discretions (including but not limited to those referred to in Condition 12), the Trustee shall have regard to the general interests of the Securityholders as a class and in particular, but without limitation, the Trustee shall not have regard to the consequences of such exercise for individual Securityholders (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. In connection with any such exercise as aforesaid, no Securityholder shall be entitled to claim, whether from the Issuer, the Substitute Issuer or the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or any such exercise upon any individual Securityholders except to the extent already provided in Condition 9 and/or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

14. INDEMNIFICATION OF THE TRUSTEE AND CONTRACTING WITH THE ISSUER

The Trust Deed contains provisions for the provision of indemnification, security and prefunding to the Trustee and for its relief from responsibility towards the Issuer and the Securityholders, including (i) provisions relieving it from taking any action unless indemnified, secured or prefunded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Securityholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

The Trustee is entitled, inter alia, (i) to enter into business transactions with the Issuer and any entity related to the Issuer and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer or any entity related to the Issuer, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Securityholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee may rely without liability to Securityholders on a report, confirmation or certificate or opinion or any advice of any accountants, financial advisers, financial institution or 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. The Trustee may accept and shall be entitled to rely on any such report, opinion, confirmation or certificate or advice and such report, opinion, confirmation, or certificate or advice shall be binding on the Issuer, the Trustee and the Securityholders.

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

15. REPLACEMENT OF SECURITIES

If a Security is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent or such other Paying Agent as the case may be, as may from time to time be designated by the Issuer for the

purpose and notice of whose designation is given to Securityholders, 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 and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Security is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Security) and otherwise as the Issuer may reasonably require. Mutilated or defaced Securities must be surrendered before replacements will be issued.

16. FURTHER ISSUES

The Issuer may from time to time without the consent of the Securityholders create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects save for the issue price and the date of issue thereof, and the amount and date of the first payment of Distributions thereon) and so that the same shall be consolidated and form a single series with the outstanding Securities; provided, however, that if such further securities are not fungible with the outstanding Securities for U.S. federal income tax purposes, the further securities will have a separate Common Code and ISIN (where applicable) from such numbers assigned to the previously issued Securities. References in these Conditions to the Securities include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Securities. Any further securities forming a single series with the Securities shall be constituted by the Trust Deed or a deed supplemental to it.

17. NOTICES

All notices to the Securityholders will be valid if mailed to them by first class mail or (if posted to an address overseas) by airmail to the Securityholders (or the first of any joint named Securityholders) at their respective addresses in the Register.

The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Securities are for the time being listed. Any such notice will be deemed to have been given on the second day after being so mailed or on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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

19. DEFINITIONS

As used herein:

"**5-year Mid-Swap Rate**" means, in relation to a Reset Period and the Reset Determination Date in relation to such Reset Period:

(a) the annual pounds sterling mid-swap rate with a term of five years where the floating leg pays daily compounded SONIA annually, which is calculated and published by ICE Benchmark Administration Limited on such Reset Determination Date and displayed as at 11:15 a.m. (London time) on such Determination Date on the Screen Page; or

(b) if such rate does not appear on the Screen Page at such time on such Reset Determination Date, the Reset Reference Bank Rate on such Reset Determination Date;

"**5-year Mid-Swap Rate Quotations**" means the arithmetic mean of the bid and ask rates for the annual fixed leg (calculated on an Actual/365 (Fixed) day count basis) of a fixed-for-floating pounds sterling interest rate swap which:

(i) has a term of five years commencing on the relevant Reset Date;

(ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market; and

(c) has a floating leg based on the overnight SONIA rate compounded for 12 months (calculated on an Actual/365 (Fixed) day count basis);

"**Accrual Period**" has the meaning given to it in Condition 5(c);

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

"**Additional Tier 1 Capital**" has the meaning given to it in the Capital Rules;

"**Alternative Relevant Rate**" means the rate which has replaced the 5-year Mid-Swap Rate (or the relevant component part(s) thereof) in customary market usage in the international debt capital markets for the purposes of determining reset distribution rates (or the relevant component part thereof) in respect of securities denominated in pounds sterling and with a reset period of a comparable duration to the relevant Reset Period, or, if the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) determines that there is no such rate, such other rate as such Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) determines in its discretion is most comparable to the 5-year Mid-Swap Rate (or the relevant component part(s) thereof);

"**Approved Winding-up**" means a solvent winding-up of the Issuer solely for the purposes of a merger, reconstruction, reorganisation or amalgamation, the terms of which merger, reconstruction, reorganisation or amalgamation (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Securityholders and (ii) do not provide that the Securities shall thereby become repayable;

"**Assets**" means the non-consolidated gross assets of the Issuer, as shown in the latest published audited balance sheet of the Issuer, but adjusted for subsequent

contingencies and events in such manner as the Directors or, if the Issuer is in winding-up or administration, its liquidator or administrator (as the case may be) may determine;

"**Automatic Write Down**" means the irrevocable and automatic (without the need for the consent of Securityholders) write-down of the full principal amount of the Securities to zero and the cancellation of all accrued and unpaid Distributions and the cancellation of the Securities on the Business Day immediately following (1) the determination that a Loss Absorption Event has occurred (where the occurrence of such Loss Absorption Event is determined by the Issuer pursuant to Condition 7(d)) or (2) the Issuer receiving notice from the Regulator or its agent that a Loss Absorption Event has occurred (where the occurrence of such Loss Absorption Event is determined by the Regulator or its agent pursuant to Condition 7(d)), (such write down being referred to as a "Write Down", and "Written Down" being construed accordingly);

"**Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London;

"**Calculation Agent**" means the Principal Paying Agent or a financial institution appointed by the Issuer from time to time to the role of calculation agent in respect of the Securities;

"**Calculation Amount**" has the meaning given to it in Condition 5(c);

"**Capital Requirements Directive**" means Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms dated 26 June 2013, as amended on or prior to 31 December 2020 (including, without limitation, by Directive (EU) 2019/879), and any regulatory or implementing technical standards and other delegated or implementing acts adopted under the relevant Directive, in each case to the extent that they form part of the domestic law of the UK by virtue of the EUWA or otherwise, and as they may be amended or replaced by the laws of England and Wales from time to time;

"**Capital Requirements Regulation**" means Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms dated 26 June 2013, as amended on or prior to 31 December 2020 (including, without limitation, by Regulation (EU) 2019/876), and any regulatory or implementing technical standards and other delegated or implementing acts adopted under the relevant Regulation, in each case to the extent that they form part of the domestic law of the UK by virtue of the EUWA or otherwise, and as they may be amended or replaced by the laws of England and Wales from time to time;

"**Capital Rules**" means at any time the regulations, requirements, guidelines and policies relating to capital resources requirements or capital adequacy then in effect and applicable to the Group (including, as at the Issue Date, without limitation, CRD IV and any regulations, requirements, guidelines and policies of the Regulator and other delegated or implementing acts adopted under the relevant Directive or Regulation, in each case to the extent that they form part of the domestic law of the UK by virtue of the EUWA or otherwise, and as they may be amended or replaced by the laws of England and Wales from time to time, as may from time to time be applicable to the Group);

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

"**Code**" means the U.S. Internal Revenue Code of 1986;

"**Common Equity Tier 1**" or "**CET1**" means, at any time, the sum, expressed in pounds sterling, of all amounts that constitute Common Equity Tier 1 Capital of the Group as at such time, less any deductions from Common Equity Tier 1 Capital required to be made as at such time, in each case as calculated by the Issuer on a consolidated basis in accordance with the then prevailing Capital Rules but without taking into account any transitional, phasing in or similar provisions;

"**Common Equity Tier 1 Capital**" has the meaning given to it, or any successor term, in the Capital Rules;

"**Common Equity Tier 1 Capital Ratio**" means, with respect to the Group, at any time, the ratio of Common Equity Tier 1 of the Group as at such time to the Risk Weighted Assets of the Group at the same time, expressed as a percentage;

"**CRD IV**" means (i) the Capital Requirements Directive (ii) the Capital Requirements Regulation and (iii) any legislation or regulatory technical standards made under or pursuant to powers conferred by (i) or (ii);

"**Definitive Securities**" has the meaning given to it in Condition 1(a)(iv);

"**Denomination**" has the meaning given to it in Condition 1(a)(i);

"**Designated Account**" has the meaning given to it in Condition 8(a);

"**Directors**" means directors of the Issuer;

"**Distributable Items**" means, with respect to any Distribution Payment Date and subject as otherwise defined in the Capital Rules:

(i) the amount of the profits of the Issuer as at the end of its financial year immediately preceding such Distribution Payment Date plus any profits brought forward and reserves available for that purpose before distributions to holders of the Issuer's own funds instruments; less

(ii) any losses brought forward, profits which are non-distributable pursuant to provisions in legislation or the Issuer's articles of association and sums placed to non-distributable reserves in accordance with the Companies Act 2006 or the articles of association of the Issuer; calculated on the basis of the non-consolidated accounts of the Issuer;

"**Distribution Amount**" means, with respect to a Distribution Payment Date, the amount of Distributions payable on each Security on such Distribution Payment Date;

"**Distribution Compliance Period**" means the period that ends 40 days after the completion of the distribution of the Securities;

“**Distribution Payment Date**” has the meaning given to it in Condition 5(b);

“**Distribution Rate**” means the Initial Distribution Rate or the relevant Reset Distribution Rate, as the case may be;

“**Distributions**” has the meaning given to it in Condition 5(b);

“**Euroclear**” means Euroclear Bank S.A./N.V.;

“**EUWA**” means the European Union (Withdrawal) Act 2018 as may be amended or replaced from time to time (including, without limitation, by the European Union (Withdrawal Agreement) Act 2020);

“**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended;

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

“**First Reset Date**” means 24 September 2026;

“**Global Security**” means the security certificate representing the Securities while in global form;

“**Group**” means the Issuer and each other entity which is part of the UK prudential consolidation group (as that term, or its successor, is used in the Capital Rules) of which the Issuer is part from time to time;

“**Holding Company**” means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary;

“**IA Mid-Swap Determination Cut-off Date**” has the meaning given in Condition 5(j);

“**Independent Adviser**” means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets, in each case appointed by the Issuer at the Issuer’s expense;

“**Initial Distribution Rate**” has the meaning given to it in Condition 5(d);

“**Issue Date**” means 1 March 2021;

“**Issuer Mid-Swap Determination Cut-off Date**” has the meaning given in Condition 5(j);

“**Liabilities**” means the non-consolidated gross liabilities of the Issuer, as shown in the latest published audited balance sheet of the Issuer, but adjusted for contingent liabilities and for subsequent events in such manner as the Directors or, if the Issuer is in winding-up or administration, its liquidator or administrator (as the case may be) may determine;

“**Loss Absorption Event**” has the meaning given to it in Condition 7(d);

"**Margin**" means 4.058 per cent. per annum;

"**Maximum Distributable Amount**" means any applicable maximum distributable amount relating to the Issuer required to be calculated in accordance with Article 141 of the Capital Requirements Directive (and any implementation of such provision in the UK or, as the case may be, any succeeding provision amending or replacing such Article or any such implementing provision, including by virtue of the EUWA).

"**Notional Preference Share**" has the meaning given to it in Condition 4;

"**Other Additional Tier 1 Securities**" means any securities of the Issuer (i) which upon issue qualified (or were intended to qualify) as Additional Tier 1 capital or (ii) which otherwise rank or are expressed to rank on a winding-up or in respect of a distribution or payment of dividends or any other payments thereon pari passu with the Securities or with other instruments falling within (i) above;

"**own funds instruments**" has the meaning given to it in the Capital Rules;

"**Payment Day**" has the meaning given to it in Condition 8(d);

"**Proceedings**" has the meaning given to it in Condition 20(b);

"**Regulation S**" means Regulation S under the U.S. Securities Act;

"**Register**" has the meaning given to it in Condition 8(a);

"**Regulator**" means the Prudential Regulation Authority of the UK or such successor or other authority having primary responsibility for the prudential supervision of the Issuer and the Group;

"**Regulatory Approval**" means, at any time, such approval, consent or prior permission by, or notification required within prescribed periods to, the Regulator, or such waiver of the then prevailing Capital Rules from the Regulator, as is required under the then prevailing Capital Rules at such time;

a "**Regulatory Capital Event**" will occur if there is a change in the regulatory classification of the Securities occurring after the Issue Date that does, or will, result in the Securities being fully or partially excluded from the Tier 1 Capital of the Group;

"**Regulatory Preconditions**" means:

(a) if, at the time of such redemption or repurchase, the prevailing Capital Rules permit the redemption or repurchase after compliance with any pre-conditions, the Issuer having complied with such pre-conditions; and

(b) in the case of a redemption pursuant to Conditions 6(c) or 6(d) occurring prior to the First Reset Date only,

    (i) the Regulator being satisfied (such satisfaction to be evidenced by the granting of Regulatory Approval) that the Issuer has demonstrated to

the satisfaction of the Regulator that the circumstance that entitles the Issuer to exercise its right of redemption was not reasonably foreseeable, judged at the Issue Date and is (in the case of a redemption pursuant to Condition 6(d)) sufficiently certain or (in the case of a redemption pursuant to Condition 6(c)) material; or

(ii) if, at the time of such redemption, the prevailing Capital Rules permit the redemption after compliance with an alternative pre-condition, the Issuer having complied with such other pre-condition;

"**Relevant Account Holder**" means each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (other than (i) Clearstream, Luxembourg, if Clearstream, Luxembourg shall be an accountholder of Euroclear, and (ii) Euroclear, if Euroclear shall be an accountholder of Clearstream, Luxembourg) as the holder of a particular principal amount of such Securities (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg shall be conclusive and binding for all purposes);

"**Relevant Date**" has the meaning given to it in Condition 9;

"**Reset Date**" means the First Reset Date and each fifth anniversary thereof;

"**Reset Determination Date**" means, with respect to a Reset Period, the day falling two Business Days prior to the Reset Date on which such Reset Period commences;

"**Reset Distribution Rate**" has the meaning given in Condition 5(e);

"**Reset Period**" means each period from (and including) a Reset Date to (but excluding) the next succeeding Reset Date thereafter and "relevant Reset Period" shall be construed accordingly;

"**Reset Reference Bank Rate**" means, in relation to a Reset Period and the Reset Determination Date in relation to such Reset Period, the percentage rate determined on the basis of the 5-year Mid-Swap Rate Quotations provided by the Reset Reference Banks to the Calculation Agent at approximately 11:00 a.m. (London time) on such Reset Determination Date. If at least three quotations are provided, the Reset Reference Bank 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 quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the quotation provided. If no quotations are provided, the Reset Reference Bank Rate for the relevant Reset Period will be (i) in the case of each Reset Period other than the Reset Period commencing on the First Reset Date, the 5-year Mid-Swap Rate in respect of the immediately preceding Reset Period or (ii) in the case of the Reset Period commencing on the First Reset Date, 0.21760 per cent.;

"**Reset Reference Banks**" means five leading swap dealers in the interbank market selected by the Issuer (excluding the Calculation Agent or any of its affiliates) in its discretion, acting in a commercially reasonable manner;

“**Risk Weighted Assets**” means, as at any time, the aggregate amount, expressed in pounds sterling, of the risk weighted assets of the Group as at such time, as calculated by the Issuer on a consolidated basis in accordance with the then prevailing Capital Rules but without taking into account any transitional, phasing in or similar provisions, and where the term “risk weighted assets” means the risk weighted assets or total risk exposure amount, as calculated by the Issuer in accordance with the then prevailing Capital Rules;

“**Screen Page**” means Bloomberg screen “BPISDS[05] Index” or such other page as may replace it on Bloomberg, or, as the case may be, such other page provided by such other information service that may replace Bloomberg (including, but not limited to, Reuters), in each case as may be nominated by ICE Benchmark Administration Limited, or any alternative or successor provider for the publication of such rate as is in customary market usage in the international debt capital markets;

“**Securityholder**” or “**holder**” has the meaning given to it in the Trust Deed;

“**Senior Creditors**” means creditors of the Issuer (a) who are unsubordinated creditors of the Issuer; (b) whose claims are, or are expressed to be, subordinated (whether only in the event of a winding-up or administration of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer but not further or otherwise; or (c) who are subordinated creditors of the Issuer other than those whose claims are, or are expressed to rank, pari passu with, or junior to, the claims of the Securityholders (with Senior Creditors including, for the avoidance of doubt, holders of Tier 2 Capital Instruments);

“**Subsidiary**” has the meaning given to it under Section 1159 of the Companies Act 2006 (as amended from time to time);

“**Substitute Issuer**” has the meaning given to it in Condition 12(d); “successor in business” has the meaning given to it in the Trust Deed;

“**Tax Event**” has the meaning given to it in Condition 6(c);

“**Tax Law Change**” means a change in, or amendment to, the laws or regulations of the UK or any political subdivision or authority therein or thereof having the power to tax, including any treaty to which the UK is a party, or any change in the application of such laws or regulations by a decision of any court or tribunal that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions (in respect of securities similar to the Securities and which are capable of constituting Additional Tier 1 Capital) or which differs from any specific written confirmation given by a tax authority in respect of the Securities, which change or amendment becomes effective or, in the case of a change in law or regulation, if such change is enacted by a UK Act of Parliament or by Statutory Instrument, on or after the Issue Date;

“**Tier 1 Capital**” has the meaning given to it in the Capital Rules;

“**Tier 2 Capital**” has the meaning given to it in the Capital Rules;

"**Tier 2 Capital Instruments**" means any instruments of the Issuer which are Tier 2 Capital of the Issuer and which rank on a winding-up or in respect of a distribution or payment of dividends or any other payments thereon senior to the Securities but junior to all creditors falling within the definition of paragraph (a) of the definition of Senior Creditors;

"**Tier 2 Preference Shares**" has the meaning given to this term in Condition 4;

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

"**U.S.**" means the United States of America;

"**U.S. Securities Act**" means the U.S. Securities Act of 1933, as amended; and

"**£**" or "**pounds sterling**" means the lawful currency of the UK from time to time.

20. GOVERNING LAW AND SUBMISSION TO JURISDICTION

20.1 Governing law

The Trust Deed, these Conditions and the Securities and any non-contractual obligations arising out of or in connection with the Trust Deed, these Conditions or the Securities are governed by, and shall be construed in accordance with, English law.

20.2 Submission to jurisdiction

The courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed, these Conditions or the Securities and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, these Conditions or any Securities ("**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.

Overview of the Securities while in Global Form

*Words and expressions defined in the "Terms and Conditions of the Securities" above or elsewhere in this Offering Memorandum 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 Euroclear or Clearstream, Luxembourg (together, 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 Securities will be in registered form in the denominations of £200,000 and integral multiples of £1,000 in excess thereof. The Securities will initially be represented by the global security (the "**Global Security**"), deposited with, and registered in the name of a nominee for, a common depositary of Euroclear and Clearstream, Luxembourg.

Investors may hold their interests in the Global Security directly through the Clearing Systems if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

None of the Clearing Systems is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

Ownership of interests in the Global Security (the "**Book-Entry Interests**") will be limited to Direct Participants. The Book-Entry Interests in the Global Security will be issued only in denominations of £200,000 and integral multiples of £1,000 in excess thereof.

The Book-Entry Interests will not be evidenced other than by entry in the records of the relevant Clearing System. The Clearing Systems will credit on their book-entry registration and transfer systems a Direct Participant's account with the interest beneficially owned by such Direct Participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Securities are in global form, owners of any interest in the Global Security will not have the Securities registered in their names, will not receive physical delivery of the Securities in certificated form other than in the circumstances described below.

Issuance of Definitive Securities

Under the terms of the Global Security, the Global Security will only be exchanged for definitive Securities in registered form (the "**Definitive Securities**") if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days or more (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so, and no alternative clearing system satisfactory to the Trustee and the Issuer is available, in which case a Securityholder may give notice to the Registrar and the Transfer Agent to exchange the Global Security for Definitive Securities.

In such an event, the Registrar will issue and deliver Definitive Securities, registered in the relevant name or names and issued in any approved denominations, requested by or on behalf of the relevant Clearing System or the Issuer, as applicable (in accordance with its customary

procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Securities will bear the applicable restrictive legend set forth in "*Subscription and Sale*".

Redemption of the Global Security

In the event the Global Security, or any portion thereof, is redeemed, the relevant Clearing System will distribute the amount received by it in respect of the Global Security so redeemed to the holders of the Book-Entry Interests in the Global Security from the amount received by it in respect of the redemption of the Global Security. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by the relevant Clearing System in connection with the redemption of the Global Security (or any portion thereof). The Issuer understands that under existing practices of the relevant Clearing System if fewer than all of the Securities are to be redeemed at any time, the relevant Clearing System will credit their respective Direct Participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate.

Payments on the Global Security

Payments of amounts owing in respect of the Global Security (including principal, Distributions and Additional Amounts) will be made by the Issuer to the Principal Paying Agent. The Principal Paying Agent will, in turn, make such payments to the relevant Clearing System or their nominee, which will distribute such payments to Direct Participants in accordance with their respective procedures. Payment of any amounts due and payable under or in respect of the Securities by or on behalf of the Issuer to or to the order of the nominee (as registered holder) for the Clearing Systems will discharge the Issuer's obligations in respect of such payment *pro tanto*, and owners of Book-Entry Interests in the Securities must look to the Clearing Systems or, as the case may be, the Participant(s) through which they hold their Book-Entry Interests, for their share of any payment so made.

Under the terms of the Trust Deed, the Issuer, the Trustee and the Paying Agents will treat the registered holder of the Global Security as the owner thereof for the purpose of receiving payments. Consequently, none of the Issuer, the Trustee, the Paying Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of the Clearing Systems or any Participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by the Clearing Systems or any Participant, or for maintaining, supervising or reviewing the records of the Clearing Systems or any Participant relating to, or payments made on account of, a Book-Entry Interest; or

- payments made by the Clearing Systems or any Participant, or for maintaining, supervising or reviewing the records of the Clearing Systems or any Participant relating to or payments made on account of a Book-Entry Interest; or

- the Clearing Systems or any Participant.

Payments by Indirect Participants to owners of Book-Entry Interests held through Direct Participants are the responsibility of such Participants.

The principal of, Distributions on, and all other amounts payable in respect of, the Global Security will be paid in pounds sterling.

Euroclear and Clearstream, Luxembourg

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, Luxembourg, as applicable.

The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. The Issuer is not responsible for those operations or procedures.

Euroclear and Clearstream, Luxembourg hold securities for participating organisations. They facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream, Luxembourg provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream, Luxembourg interface with domestic securities markets. Euroclear and Clearstream, Luxembourg participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organisations. Indirect access to Euroclear and Clearstream, Luxembourg is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream, Luxembourg participant, either directly or indirectly.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of the Clearing Systems as the holder of a Book-Entry Interest in the Securities evidenced by the Global Security must look solely to Euroclear or Clearstream, Luxembourg (as the case may be) for its share of each payment made by or on behalf of the Issuer to or to the order of the registered holder of the Global Security (being the nominee for the common depositary of the Clearing Systems) and in relation to all other rights arising under the Global Security, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Securities evidenced by the Global Security, the common depositary by whom such Security is held, or nominee in whose name it is registered, will immediately credit the relevant Direct Participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Security as shown on the records of the relevant common depositary or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in the Global Security held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Such persons shall have no claim directly against the Issuer in respect of payments due on the Securities for so long as the Securities are evidenced by the Global Security and the obligations of the Issuer will be discharged by payment to the registered holder of the Global Security in respect of each amount so paid. None of the Issuer, the Trustee or any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Security, or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Securities

Subject to the rules and procedures of each applicable Clearing System, purchases of Securities held within a Clearing System must be made by or through Direct Participants, which will receive a credit for such Securities on the Clearing System's records. The ownership interest of each actual purchaser of each such Security (the "**Beneficial Owner**") will in turn be recorded on the Direct Participants' and Indirect Participants' records.

Beneficial Owners will not receive written confirmation from any Clearing System of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Securities held within the Clearing System will be effected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates evidencing their ownership interests in such Securities, unless and until interests in any Global Security held within a Clearing System are exchanged for Definitive Securities.

No Clearing System has knowledge of the actual Beneficial Owners of the Securities held within such Clearing System and their records will reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the Clearing Systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Global Clearance and Settlement under the Book-Entry System

Investors will only be able to make and receive deliveries, payments and other communications involving Securities through the Clearing Systems on days when those systems are open for business.

Although the Clearing Systems currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Security among participants in the Clearing Systems, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee or the Paying Agents will have any responsibility for the performance by the Clearing Systems or their respective Participants, of their respective obligations under the rules and procedures governing their operations.

Calculation of Distributions

Notwithstanding Condition 5.3, for so long as all of the Securities are represented by the Global Security, the amount of Distributions payable (subject to cancellation as provided in the Conditions) on each Distribution Payment Date will be calculated by reference to the aggregate outstanding principal amount of Securities represented by the Global Security and not per Calculation Amount.

Automatic Write Down

In the event of an Automatic Write Down following a Loss Absorption Event, the principal amount of each Global Security will be written down to zero and cancelled. All Book-Entry Interests in the Clearing Systems representing interests in the Global Security will also be cancelled in full in accordance with the procedures of the relevant Clearing System and will not be restored in any circumstances thereafter.

Notices

For so long as all of the Securities are represented by the Global Security and the Global Security is registered in the name of a nominee for the common depositary for Euroclear and/or Clearstream, Luxembourg, notices to Securityholders may be given, in substitution for delivery as required by Condition 17, by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by such Clearing Systems to the relevant Participants. Such notice shall be deemed to have been given on the date of delivery of the notice to Euroclear and/or Clearstream, Luxembourg (as applicable) for such communication.

The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Securities are for the time being listed or admitted to trading.

Prescription

Claims in respect of principal of and/or Distributions in respect of the Global Security will become prescribed unless made within a period of 10 years in the case of principal and five years in the case of Distributions from the Relevant Date (as defined in Condition 9) relating thereto.

Clearing Systems

References herein to Euroclear and/or Clearstream, Luxembourg and/or the Clearing Systems shall be deemed to include references to any other clearing system in which the Securities are, for the time being and with the approval of the Trustee, traded or cleared.

Business Description

DESCRIPTION OF THE ISSUER AND THE GROUP

Background

The Issuer is a public limited company incorporated and registered in England and Wales under the Companies Act 2006. It was incorporated on 23 September 2013 as a private limited company with registered number 8700698 with the name Nuevo Topco Limited. On 16 December 2013, the Issuer changed its name to Santander UK Group Limited. On 22 January 2014, the Issuer changed its name to Santander UK Group Holdings Limited. On 25 March 2015, the Issuer reregistered as a public limited company. On 10 January 2014, the Issuer became the holding company of Santander UK plc following its acquisition of Santander UK plc ("**Santander UK**") from Banco Santander, S.A. ("**Banco Santander**") and Santusa Holding, S.L. ("**Santusa Holding**").

The principal executive office and registered office of the Issuer is at 2 Triton Square, Regent's Place, London, NW1 3AN. The telephone number of the Issuer is +44 (0) 800 389 7000. The Issuer's principal operating subsidiary is Santander UK. Santander UK was originally formed as a building society and was registered in 1944 under the name Abbey National Building Society with registration number 1B. It is now a public limited liability company incorporated and registered in England and Wales under the Companies Act 2006. It was incorporated on 12 September 1988 with registered number 2294747. Santander UK is a wholly-owned subsidiary of the Issuer.

The Issuer is a subsidiary of Banco Santander and Santusa Holding. Banco Santander and its subsidiary Santusa Holding together hold the entire issued share capital of the Issuer.

The principal executive office and registered office of Santander UK is at 2 Triton Square, Regent's Place, London, NW1 3AN. The telephone number of Santander UK is +44 (0) 800 389 7000.

The Issuer and Santander UK operate on the basis of a unified business strategy, albeit the principal business activities of the Group are carried on by Santander UK and its subsidiaries.

Corporate Purpose

The Group's purpose is to be the best bank for customers, shareholders, people and communities by acting responsibly.

Business and Support Divisions

The Group, headed by Nathan Bostock, Chief Executive Officer, operates four business divisions as follows:

Retail Banking

Retail Banking offers a wide range of products and financial services to individuals and small businesses through our omni-channel presence comprising branches, ATMs, telephony, digital and intermediary channels. Retail Banking includes business banking customers, small

businesses with simple banking needs and Santander Consumer Finance, predominantly a vehicle finance business.

Corporate and Commercial Banking

Corporate and Commercial Banking offers a wide range of financial services and solutions to more complex businesses across multiple sectors, typically with annual turnovers of between £2m and £500m. Service and expertise are provided by relationship managers, product specialists and through digital and telephony channels, and cover clients' needs both in the UK and overseas.

Corporate and Investment Banking

Corporate and Investment Banking ("**CIB**"): services corporate clients with an annual turnover of £500m and above. CIB clients require specially tailored solutions and value-added services due to their size, complexity and sophistication. We provide these clients with products to manage currency fluctuations, protect against interest rate risk, and arrange capital markets finance and specialist trade finance solutions, as well as providing support to the rest of Santander UK's business segments.

Corporate Centre

Corporate Centre: mainly includes the treasury, non-core corporate portfolios, and legacy portfolios. Corporate Centre is also responsible for managing capital and funding, balance sheet composition, structure, pensions and strategic liquidity risk. To enable a more targeted and strategically aligned apportionment of capital and other resources, revenues and costs incurred in Corporate Centre are allocated to the three business segments. The non-core corporate and legacy portfolios are being run-down and/or managed for value.

Directors of the Issuer

The following table sets forth the directors of the Issuer:

Position	Name	Other Principal Activities
Chair	William Vereker	Chair, Santander UK plc
Executive Director and Chief Executive Officer	Nathan Bostock	Chief Executive Officer, Santander UK plc Member of the Financial Services Trade and Investment Board
Executive Director and Chief Financial Officer	Duke Dayal	Chief Financial Officer, Santander UK plc
Independent Non-Executive Director	Ed Giera	Independent Non-Executive Director, Santander UK plc Non-Executive Director, Renshaw Bay Real Estate Finance Fund
Independent Non-Executive Director and Santander UK plc's Whistleblower's Champion	Chris Jones	Independent Non-Executive Director, Santander UK plc Independent Non-Executive Director of Legal & General Investment Management (Holdings) Limited Non-Executive Director, Redburn (Europe) Ltd Audit and Risk Committee Member, Wellcome Trust Board member, Audit Committee Chair's Independent Forum
Banco Santander Nominated Non-Executive Director	Ana Botín	Non-Executive Director, Santander UK plc Executive Chair and Director, Banco Santander SA Non-Executive Director, The Coca-Cola Company Vice-Chair, the Empresa y Crecimiento Foundation Member of the MIT's CEO Advisory Board Vice-Chair World Business Council for Sustainable Development Appointed to the IMF external advisory Board in March 2020.

Position	Name	Other Principal Activities
Banco Santander Nominated Non-Executive Director	Bruce Carnegie-Brown	Non-Executive Director, Santander UK plc Vice Chairman and Lead Independent Director, Banco Santander SA Chairman, Lloyd's of London Chair, Cuvva Limited

The business address of each of the directors is 2 Triton Square, Regent's Place, London NW1 3AN with telephone number +44 (0) 800 389 7000.

Conflicts of Interest

There are no potential conflicts of interest between the duties to the Issuer of the persons listed above and their private interests and/or other duties.

Credit Ratings

As at the date of this Offering Memorandum, the long-term obligations of the Issuer are rated BBB by S&P, Baa1 by Moody's and A by Fitch, and the short-term obligations of the Issuer are rated A-2 by S&P, P-2 by Moody's and F1 by Fitch.

Taxation

United Kingdom Taxation

*The comments below, which are of a general nature and are based on the Issuer's understanding of current United Kingdom law and HM Revenue & Customs ("**HMRC**") practice, describe the United Kingdom withholding tax treatment of payments of Distributions in respect of the Securities. They relate only to the position of persons who are the absolute beneficial owners of their Securities and may not apply to certain classes of persons such as dealers, to whom special rules may apply. They are not exhaustive. They do not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Securities. Prospective holders of Securities who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom are strongly advised to consult their own professional advisers.*

While the Securities are and continue to be listed on a recognised stock exchange, within the meaning of Section 1005 Income Tax Act 2007 ("**ITA**"), payments of Distributions on the Securities may be made without withholding or deduction for or on account of United Kingdom income tax. The securities are "listed on a recognised stock exchange" if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange. The ISM is a recognised stock exchange for these purposes. The Issuer's understanding of current HMRC practice is that securities which are officially listed and admitted to trading on the ISM will be regarded as "listed on a recognised stock exchange" for these purposes. Whilst the Securities are and continue to be so listed, payments of Distributions by the Issuer on the Securities may be made without withholding or deduction for or on account of United Kingdom income tax.

In other cases, absent any other relief or exemption (such as a direction by HMRC that Distributions may be paid without withholding or deduction for or on account of United Kingdom tax to a specified Securityholder following an application by that Securityholder under an applicable double tax treaty), an amount must generally be withheld on account of United Kingdom income tax at the basic rate (currently 20 per cent.) from payments of Distributions on the Securities.

Foreign Account Tax Compliance Act

As a result of Sections 1471 through 1474 of the Code and related Treasury regulations (collectively, "**FATCA**") and the intergovernmental agreement relating to FATCA between the United States and the United Kingdom (the "**U.S. – UK IGA**"), as well as applicable UK regulations implementing the U.S. – UK IGA, the Issuer may be required to comply with certain reporting requirements. It is also possible that payments on the Securities may be subject to a withholding tax of 30%. However, assuming the Issuer complies with any applicable reporting requirements pursuant to the U.S. – UK IGA, the Issuer would generally not be required to withhold tax under FATCA from payments in respect of the Securities.

The Issuer will not pay Additional Amounts on account of any withholding tax imposed by FATCA. FATCA is particularly complex. Each prospective holder of the Securities should consult its own tax adviser to obtain a more detailed explanation of FATCA and to learn how this legislation might affect each holder in its particular circumstances.

Subscription and Sale

Pursuant to a Security Purchase Agreement dated 16 February 2021 between the Issuer and Banco Santander, S.A., Banco Santander, S.A. has agreed with the Issuer to subscribe for the Securities at a price equal to 100 per cent. of the principal amount of the Securities. The Securities have been fully subscribed for by Banco Santander, S.A.

The Global Security will bear a legend to the following effect:

"THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. BY PURCHASING OR OTHERWISE ACQUIRING THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY, THE HOLDER AGREES FOR THE BENEFIT OF THE ISSUER THAT, IF IT SHOULD DECIDE TO DISPOSE OF THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY PRIOR TO THE DATE WHICH IS 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY, THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND ONLY TO NON-U.S. PERSONS IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

EACH HOLDER OF THIS GLOBAL SECURITY OR AN INTEREST HEREIN AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS GLOBAL SECURITY OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

FOR THE PURPOSES HEREOF, "OFFSHORE TRANSACTION" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT."

Any Definitive Registered Securities will bear a legend to the following effect:

"THE SECURITIES REPRESENTED BY THIS DEFINITIVE SECURITY HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.

THE REGISTERED OWNER HEREOF, BY PURCHASING THE SECURITIES IN RESPECT OF WHICH THIS DEFINITIVE SECURITY IS ISSUED, IF IT SHOULD DECIDE TO DISPOSE OF THE SECURITIES REPRESENTED BY THIS DEFINITIVE SECURITY PRIOR TO THE DATE WHICH IS 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF THE SECURITIES REPRESENTED BY THIS DEFINITIVE SECURITY, AGREES, FOR THE BENEFIT OF THE ISSUER, THAT SUCH SECURITIES MAY ONLY BE OFFERED, SOLD, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED OR DELIVERED TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S UNDER THE SECURITIES ACT.

EACH HOLDER OF THIS DEFINITIVE SECURITY AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS DEFINITIVE SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.”

General Information

1. The Global Security has been accepted for clearance through Euroclear and Clearstream, Luxembourg with a Common Code of 230034486 and an ISIN of XS2300344863.

2. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

3. Subject to cancellation of Distributions as provided herein, and provided the Securities are not redeemed or cancelled earlier as provided herein, the yield of the Securities from 1 March 2021 to the First Reset Date is 4.25 per cent., on a quarterly basis. The yield is calculated as at the Issue Date on the basis of the issue price and the Initial Distribution Rate of 4.25 per cent. per annum. It is not an indication of future yield.

4. Application will be made to the London Stock Exchange for the Securities to be admitted to the ISM. The admission to trading in respect of the Securities is expected to be granted on or around 17 March 2021. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Securities. The issue of the Securities has been authorised by a written resolution of a committee of authorised persons of the Issuer dated 15 February 2021, made pursuant to a resolution of the Board of Directors of the Issuer passed on 24 July 2017 and a resolution of a committee of Directors of the Issuer passed on 4 August 2017.

5. The Trust Deed provides that the Trustee may rely on certificates or reports from any auditors or other parties in accordance with the provisions of the Trust Deed whether or not any such certificate or report or engagement letter or other document in connection therewith contains any limit on the liability of such auditors or such other party.

6. There has been no significant change in the financial position or financial performance of the Issuer or the Group since 31 December 2020 (the date of the Issuer's last published audited consolidated annual financial statements). There has been no material adverse change in the prospects of the Issuer since 31 December 2020 (the date of the Issuer's last published audited consolidated annual financial statements).

7. There are no, nor have there been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had during the period of 12 months prior to the date of this document, a significant effect on the financial position or profitability of the Issuer or the Group.

8. The Offering Memorandum will be available for inspection on Santander's website, https://www.santander.co.uk/about-santander/investor-relations/capital-issuances

9. Copies of the annual report and audited consolidated financial statements of the Issuer for the year ended 31 December 2019 and 31 December 2020, copies of this Offering Memorandum, the Trust Deed and the Agency Agreement and the constitutional

documents of the Issuer will be available in electronic copy for inspection at the specified offices of each of the Paying Agents during normal business hours, for as long as the Securities are admitted to trading on the ISM.

10. PricewaterhouseCoopers LLP, Registered Auditors with the Institute of Chartered Accountants in England and Wales, have audited, and rendered an unqualified audit report on, in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, the consolidated financial statements of the Issuer for the years ended 31 December 2019 and 31 December 2020. PricewaterhouseCoopers LLP does not have any interest in the Issuer.

11. There are no material contracts entered into other than in the ordinary course of the Issuer's business which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Securityholders in respect of the Securities.

12. The Issuer's Legal Entity Identifier (LEI) is 549300F5XIFGNNW4CF72.

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