The Co-operative Bank Holdings p.l.c.

(incorporated in England and Wales with limited liability with registered number 10865342)
Legal entity identifier (LEI): 213800MY2BSP459O8A22

£200,000,000 Fixed Rate Reset Callable Notes due 2028

Issue Price: 100.000 per cent.

The £200,000,000 Fixed Rate Reset Callable Notes due 2028 (the "**Notes**") are expected to be issued by The Co-operative Bank Holdings p.l.c. (formerly The Co-operative Bank Holdings Limited) (the "**Issuer**") on 19 September 2024 (the "**Issue Date**"). The Notes will constitute direct, unconditional, unsecured, unguaranteed and unsubordinated obligations of the Issuer, ranking *pari passu* without any preference among themselves and, in the event of a Winding-Up (as defined herein), at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by law. The Notes will be issued on the terms and conditions set out under "*Terms and Conditions of the Notes*" (the "**Conditions**", and references to a numbered "**Condition**" should be read accordingly).

Interest will accrue on the outstanding principal amount of the Notes from (and including) the Issue Date up to (but excluding) 19 September 2027 (the "**Reset Date**") at the initial rate of 5.579 per cent. per annum, and thereafter at the Reset Interest Rate determined in accordance with Condition 4 as the sum of the Reset Reference Rate and the Reset Margin (each as defined in the Conditions). Interest will be payable in equal instalments semi-annually in arrear on 19 March and 19 September in each year, commencing on 19 March 2025.

Unless previously redeemed or purchased and cancelled, or, pursuant to Condition 6.6, substituted or varied, the Issuer will redeem the Notes on 19 September 2028 (the "**Maturity Date**"). The Issuer may elect, in its sole discretion (but subject to compliance with applicable prudential requirements), to redeem the Notes (in whole but not in part) at their principal amount together with accrued and unpaid interest up to (but excluding) the date of redemption (i) on the Reset Date; (ii) at any time following the occurrence of a Tax Event or a Loss Absorption Disqualification Event; or (iii) at any time where 75 per cent. or more of the aggregate principal amount of the Notes originally issued (as construed in accordance with Condition 6) has been purchased and cancelled, all as further described in Condition 6.5. If a Loss Absorption Disqualification Event or a Tax Event occurs, the Issuer may alternatively, subject to certain conditions but without any requirement for the consent or approval of the Noteholders, substitute or vary the Notes at any time for, or so that they become or remain, Compliant Securities, as further described in Condition 6.6.

Application has been made to the Financial Conduct Authority (the "**FCA**") in its capacity as competent authority under the Financial Services and Markets Act 2000 (as amended, the "**FSMA**") for the Notes to be admitted to the official list of the FCA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's main market (the "**Market**"). References in this Prospectus to Notes being "**listed**" (and all related references) shall mean that such Notes have been admitted to trading on the Market and have been admitted to the Official List. The Market is a regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of United Kingdom ("**UK**") domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") ("**UK MiFIR**").

This Prospectus has been approved by the FCA, as competent authority under Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation and such approval should not be considered as an endorsement of the Issuer nor

as an endorsement of the quality of the Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

The Notes will be offered and sold in offshore transactions outside the United States to persons who are not U.S. persons (as defined in Regulation S ("**Regulation S**") under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**")).

The Notes have not been nor will be registered under the U.S. Securities Act, or any state securities law, and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person (as such terms are defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

Prohibition on sales to EEA and UK retail investors - The Notes are not intended to be offered, sold or otherwise made available, and should not be offered, sold or otherwise made available, to retail investors in the European Economic Area (the "**EEA**") or the UK. See further under "*Offer Restrictions*" below.

The Notes will be issued in registered form in denominations of £100,000 and integral multiples of £1,000 in excess thereof. The Notes will be represented initially upon issue by a global registered note certificate (the "**Global Certificate**") which will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") on or around the Issue Date. Definitive note certificates (the "**Definitive Note Certificates**") evidencing holdings of Notes will be available only in certain limited circumstances. See "*Summary of Provisions Relating to the Notes in Global Form*".

Investing in the Notes involves a high degree of risk. See the section "*Risk Factors*" herein.

By its acquisition of any Note (or any interest therein), each holder (and each beneficial owner) of Notes will acknowledge and accept that the Amounts Due or any other liability arising under the Notes may be subject to the exercise of the UK Bail-in Power by the Resolution Authority, and will acknowledge, accept, consent to, and agree to be bound by the effects thereof, all as defined and further described in Condition 20.

The Notes will be obligations of the Issuer only and holders of the Notes will have no recourse to The Co-operative Bank p.l.c. (the "**Bank**") in respect of the Notes. The Notes will not be Protected Liabilities under the FSCS (each as defined below) and will not be guaranteed or insured by any government, government agency or compensation scheme of the UK or any other jurisdiction.

The Reset Interest Rate (as defined in Condition 4) in respect of the Notes will (subject as provided in that Condition) be determined by reference to the applicable annual mid-swap rate for swap transactions in pounds sterling (with a maturity equal to one year) where the floating leg pays compounded daily SONIA annually, which is calculated and published by ICE Benchmark Administration Limited or any successor thereto on the relevant screen page on the Reset Determination Date. As at the date of this Prospectus, ICE Benchmark Administration Limited is included in the FCA's register of administrators under Article 36 of Regulation (EU) No 2016/1011 as it forms part of UK domestic law by virtue of the EUWA (the "**UK Benchmarks Regulation**").

The Issuer is rated "Baa3" (long term deposit taking and outlook positive) and "P-3" (short-term) by Moody's Investors Service Ltd. ("**Moody's**"). The Notes are expected to be rated "Ba2" by Moody's. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Moody's is a credit rating agency established in the UK and is included in the list of credit rating agencies registered in accordance with Regulation (EC) No. 1060/2009 as it forms part of UK domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). Moody's appears on the latest update of the list of registered credit rating agencies published by the FCA at *https://www.fca.org.uk/markets/credit-rating-agencies/registered-certified-cras* in accordance with the UK CRA Regulation. Moody's has its credit ratings endorsed by Moody's Deutschland GmbH, which is established in the EU and registered with the European Securities and Markets

Authority ("**ESMA**") under Regulation 1060/2009/EC as amended. Moody's Deutschland GmbH, which endorses the credit ratings of Moody's is included in the list of credit rating agencies available on the ESMA website (http://www.esma.europa.eu/page/list-registered-and-certified-CRAs).

Joint Lead Managers

Deutsche Bank	**Goldman Sachs International**	**NatWest Markets**

Prospectus dated 16 September 2024

IMPORTANT NOTICES

This Prospectus constitutes a prospectus for the purpose of the UK Prospectus Regulation. The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer the information contained in this Prospectus is in accordance with the facts and this Prospectus does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all the documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*" below).

None of the Joint Lead Managers (as defined in "*Subscription and Sale*"), Law Debenture Trustees Limited (the "**Trustee**"), any person who controls any of them, or any of their respective directors, officers, employees, affiliates, advisers or agents has made an independent verification of the information contained in this Prospectus in connection with the issue or offering of the Notes and no representation or warranty, express or implied, is made by any of them with respect to the accuracy, completeness or fairness of such information. Nothing contained in this Prospectus is, is to be construed as, or shall be relied upon as, a promise, warranty or representation, whether to the past or the future, by the Joint Lead Managers, the Trustee, any person who controls any of them, or any of their respective directors, officers, employees, affiliates, advisers or agents in any respect. The contents of this Prospectus are not, are not to be construed as, and should not be relied on as, financial, legal, business, tax or accounting advice and each prospective investor should consult its own legal and other advisers for any such advice relevant to it.

Where information in this Prospectus has been sourced from third parties, this information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third-party information is identified where used.

None of the Joint Lead Managers nor the Trustee make any representation or warranty or assurance as to the suitability of the Notes to fulfil any green, social, environmental or sustainability criteria required by any prospective investors. The Joint Lead Managers and the Trustee have not undertaken, nor are they responsible for, any assessment of the eligibility criteria for Eligible Green Assets (as defined in "*Use and Estimated Net Amount of Proceeds*" below), any verification of whether the Eligible Green Assets meet such criteria or the monitoring of the use of proceeds of the Notes (or amounts equal thereto) by the Issuer or the Bank. Investors should refer to the GSS Framework and the Second Party Opinion (each as defined in "*Use and Estimated Net Amount of Proceeds*" below), as the same may be amended, superseded or replaced from time to time, and any public reporting by or on behalf of the Group in respect of the application of the proceeds of the issue of the Notes (or amounts equal thereto) for further information. Neither the GSS Framework nor the Second Party Opinion is incorporated by reference in, nor forms part of, this Prospectus and neither of the Joint Lead Managers nor the Trustee makes any representation as to the suitability or reliability or contents thereof for any purpose nor is any opinion or certification of any third party a recommendation by the Joint Lead Managers to sell or hold the Notes. In the event the Notes are listed, or admitted to trading on a dedicated "green", "social" or "sustainable" or other equivalently-labelled segment of any other stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Joint Lead Managers that such listing or admission will be obtained or maintained for the lifetime of the Notes.

No person is authorised to give any information or to make any representation not contained in this Prospectus in connection with the issue and offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any of the Issuer, the Trustee or the Joint Lead Managers, any person who controls any of them, or any of their respective directors, officers, employees, affiliates, advisers or agents. The delivery of this Prospectus does not imply that there has been no change in the business or affairs of the Issuer since the date hereof or that the information herein is correct as of any time subsequent to its date.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should either on its own or with the help of its financial and other professional advisers:

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

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

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

(iv) understand thoroughly the terms of the Notes;

(v) be familiar with and understand the potential impacts on their investment of the recovery and resolution powers available to the UK resolution authorities under the Banking Act 2009, as amended, with respect to credit institutions (such as the Bank), their group companies (such as the Issuer) and securities issued by any of them (such as the Notes); and

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

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

THE GROUP

For the purposes of this Prospectus:

"**Group**" means the Issuer and its subsidiaries and subsidiary undertakings (or, where applicable, those of its subsidiaries and subsidiary undertakings which are within the prudential and/or resolution group of which the Issuer forms part), including the Bank, taken as a whole; and

"**Banking Group**" means the Bank together with its subsidiaries and subsidiary undertakings.

OFFER RESTRICTIONS

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy the Notes by any person in any jurisdiction where it is unlawful to make such an offer or solicitation. The distribution of this Prospectus and the offer or sale of the Notes in certain jurisdictions is restricted by law. This Prospectus may not be used for, or in connection with, and does not constitute, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstance in which such offer or solicitation is not authorised or is unlawful. In particular, this Prospectus does not constitute an offer of securities to the public in the United Kingdom. Consequently this document is being distributed only to, and is only directed at, persons who (i) are outside the United Kingdom or (ii) if they are inside the United Kingdom, are not retail investors (as defined below)

and who are (a) persons who have professional experience in matters relating to investments falling within article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (b) other persons to whom it may be lawfully communicated under the Order (all such persons together being referred to as "**relevant persons**"). Any person who is not a relevant person should not act or rely on this document or any of its contents.

Persons into whose possession this Prospectus may come are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe all such restrictions. Further information with regard to restrictions on offers, sales and deliveries of the Notes and the distribution of this Prospectus and other offering material relating to the Notes is set out under "*Subscription and Sale*".

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a "**retail investor**" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended) (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a "**retail investor**" means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement 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 the EU PRIIPs Regulation as it forms part of UK domestic law by virtue of the EUWA (as amended, the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

UK MIFIR PRODUCT GOVERNANCE - TARGET MARKET

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties (as defined in the FCA Handbook Conduct of Business Sourcebook) and professional clients (as defined in UK MiFIR) and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

MIFID II PRODUCT GOVERNANCE - TARGET MARKET

Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

SINGAPORE SFA PRODUCT CLASSIFICATION

In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

NOTICE TO PROSPECTIVE INVESTORS IN AUSTRALIA

This Prospectus does not constitute a prospectus, a disclosure document or a product disclosure statement for the purposes of the Corporations Act 2001 (Cth) ("**Corporations Act**") and does not purport to include all the information required for a prospectus, a disclosure document or a product disclosure statement under the Corporations Act. No prospectus, product disclosure statement or other disclosure document under Australian law has been lodged with the Australian Securities and Investments Commission in relation to the offering of the Notes.

The provision of this Prospectus to any person does not constitute an offer of, or an invitation to apply for, the Notes in Australia. Any offer in Australia of the Notes may only be made to persons who are "sophisticated investors" or "professional investors" within the meaning of sections 708(8) and 708(11) of the Corporations Act, respectively and who are a "wholesale client" within the meaning of section 761G of the Corporations Act. This Prospectus is not intended to be distributed or passed on, directly or indirectly, to any other class of persons in Australia.

Any person to whom the Notes are issued or sold must not offer Notes for sale in Australia in the period of 12 months after the date of issue of the Notes except where disclosure to investors is not required under the Corporations Act or where the offer is made pursuant to a prospectus, disclosure document or product disclosure statement that complies with the Corporations Act. Any person acquiring the Notes must observe such Australian on-sale restrictions.

PRESENTATION OF FINANCIAL INFORMATION

The audited historical financial information for the financial years ended 31 December 2023 and 31 December 2022 incorporated by reference into this Prospectus has been prepared in accordance with UK adopted international accounting standards ("**IFRS**").

The consolidated financial statements of the Issuer and the Bank for the years ended 31 December 2022 and 31 December 2023, each as incorporated by reference herein, comprise the consolidated financial statements of the Issuer and the Bank. Ernst & Young LLP have audited the consolidated financial statements for the years ended 31 December 2022 and 31 December 2023. The unaudited condensed consolidated interim financial statements of the Issuer as of and for the six month period ended 30 June 2024, prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' ("**IAS 34**") are also incorporated by reference herein.

PricewaterhouseCoopers LLP was appointed as independent auditors on 3 June 2024.

As the Issuer has no trading operations of its own, the consolidated financial statements, governance and risk management for the Group are substantially the same as those for the Bank. However, investors should note that the Notes will be debt obligations of the Issuer only and the Noteholders will have no recourse to the Bank in respect of the Notes.

ALTERNATIVE PERFORMANCE MEASURES

In this Prospectus, the Issuer presents certain unaudited financial measures relating to the Issuer and the Bank, including CET1 capital and other regulatory measures, which are not recognised by IFRS. These measures are presented because the Issuer believes that they and similar measures are widely used in the Bank's industry as a means of evaluating operating performance. These measures may not be comparable to similarly titled measures used by other companies and are not measurements under IFRS or any other body of generally accepted accounting principles, and thus should not be considered substitutes for the financial information set out in the "*Documents Incorporated by Reference*" section of this Prospectus and which has been incorporated by reference into this Prospectus.

These measures include (but are not limited to) Net Interest Margin ("**NIM**"), Common Equity Tier 1 ("**CET1**") Capital ratio, cost: income ratio, Asset quality ratio, Return on Tangible Equity and Risk Weighted Assets. These measures, where not defined in this Prospectus, are defined in (i) the Glossary to the 2023 Annual Report, which can be viewed online at*:* *https://www.co-operativebank.co.uk/pdfs/bank/investorrelations/2023-glossary.pdf* and (ii) the H1 2024 Interim Results (as defined below), which can be viewed online at: *https://www.co-operativebank.co.uk/pdfs/bank/investorrelations/2024-interim-financial-report.pdf.*

PRESENTATION OF REGULATORY CAPITAL INFORMATION

Regulatory capital ratios included in this Prospectus are, unless otherwise stated, given on a consolidated basis in respect of the Group and in respect of the Banking Group (and not on a solo basis).

The Bank reports on a solo-consolidated basis as the Banking Group and as part of the Group's consolidated reporting. References to the Bank's regulatory position in this Prospectus are to the consolidated position of the Group unless stated.

PILLAR 3 DISCLOSURES

The Bank makes available on the Investor Relations section of the Bank's website *(https://www.co-operativebank.co.uk/about-us/investor-relations/financial-results*) the Bank's Pillar 3 Disclosures, which are intended to comply with the rules, unless otherwise stated, laid out in Chapter 4 (*Disclosure (Part Eight CRR)*) of the Part of the Prudential Regulatory Authority ("**PRA**") Rulebook with title "*Disclosure (CRR)"* (as the same may be amended or replaced). The disclosure included in the Bank's Pillar 3 Disclosures differs from those stated in the U.S. Securities and Exchange Commission ("**SEC**") Industry Guide 3. Accordingly, the Bank's Pillar 3 Disclosures included on its website may not be comparable to the equivalent information from U.S. companies subject to the reporting and disclosure requirements of the SEC.

WEBSITES

This Prospectus references, and includes links to, certain websites. The information on such websites is not incorporated in, and does not form part of, this Prospectus, except as expressly provided in the section "*Documents Incorporated by Reference*".

CURRENCY AND ROUNDING

Unless otherwise specified or the context so requires, references to "**£**", "**GBP**", "**sterling**", "**Sterling**" or "**pounds sterling**" are to the lawful currency of the United Kingdom. References to "**billions**" are to thousands of millions.

Certain figures contained in this Prospectus or referred to or incorporated by reference into this Prospectus, including financial, statistical and operating information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this Prospectus or referred to or incorporated by reference into this Prospectus may not conform exactly to the total figure given for that column or row.

FORWARD-LOOKING STATEMENTS

Certain information contained in this Prospectus, including any information as to the Group's strategy, market position, plans or future financial or operating performance, constitutes "forward looking statements". All statements, other than statements of historical fact, are forward looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intend", "continue", "budget", "project", "aim", "estimate", "may", "will", "could", "should", "schedule" and similar expressions identify forward looking statements.

Forward looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Issuer and the Bank, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward looking statements. Such factors include, but are not limited to, those described in "*Risk Factors*".

Investors are cautioned that forward looking statements are not guarantees of future performance. Forward looking statements may, and often do, differ materially from actual results. Any forward looking statements in this Prospectus speak only as at the date of this Prospectus, reflect the current view of the board of directors of the Issuer (the "**Board**") and the Bank with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Issuer's and the Bank's operations, results of operations, strategy, liquidity, capital and leverage ratios and the availability of new funding. Investors should specifically consider the factors identified in this Prospectus that could cause actual results to differ before making an investment decision. All of the forward looking statements made in this Prospectus are qualified by these cautionary statements.

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

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and have been approved by the Financial Conduct Authority or filed with it shall be deemed to be incorporated in, and to form part of, this Prospectus:

(a) From the 2023 combined annual report of the Issuer and the Bank (the "**2023 Annual Report**"), the following pages:

Section	Page(s)
The table entitled 'Income Statement – reconciliation to IFRS basis'	56
Independent Auditor's Report to the Members of The Co-operative Bank p.l.c.	158-169
Independent Auditor's Report to the Members of The Co-operative Bank Holdings Limited	170-181
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The 2023 Annual Report can be viewed online at: *https://www.co-operativebank.co.uk/pdfs/bank/investorrelations/2023-annual-report-and-accounts.pdf*

(b) From the 2022 combined annual report of the Issuer and the Bank (the "**2022 Annual Report**"), the following pages:

Section	Page(s)
The table entitled 'Income Statement – reconciliation to IFRS basis'	51
Independent Auditor's Report to the Members of The Co-operative Bank p.l.c.	161-172
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The 2022 Annual Report can be viewed online at: *https://www.co-operativebank.co.uk/pdfs/bank/investorrelations/2022-annual-report-and-accounts.pdf*

(c) From the unaudited condensed consolidated interim financial statements as of and for the six month period ended 30 June 2024 of the Issuer (the "**H1 2024 Interim Results**"), the following sections:

Section	**Page(s)**
Independent Review Report to The Co-operative Bank Holdings p.l.c.	16
Condensed Consolidated Income Statement	17
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The H1 2024 Interim Results can be viewed online at: *https://www.co-operativebank.co.uk/pdfs/bank/investorrelations/1h-2024-trading-update.pdf*

(d) The joint statement regarding the potential acquisition of the Issuer by Coventry Building Society issued on 18 April 2024 and available at:

https://www.co-operativebank.co.uk/pdfs/bank/investorrelations/joint-statement-potential-cash-acquisition.pdf

(e) The joint statement regarding the cash acquisition of the Issuer by Coventry Building Society issued on 24 May 2024 and available at:

https://www.co-operativebank.co.uk/pdfs/bank/investorrelations/joint-statement-regarding-cash-acquisition.pdf

save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Any information incorporated by reference in the documents specified above, which are being incorporated by reference herein, shall not form part of this Prospectus. Any information contained in any of the documents specified above which is not incorporated by reference in this Prospectus is either not relevant for prospective investors for the purposes of Article 6(1) of the UK Prospectus Regulation or is covered elsewhere in this Prospectus.

Copies of documents deemed to be incorporated by reference in this Prospectus may be obtained, free of charge, from the Issuer's website at *https://www.co-operativebank.co.uk/* and the website of the Regulatory News Service operated by the London Stock Exchange at *https://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html* and are available for inspection and viewing at the National Storage Mechanism of the FCA at *https://data.fca.org.uk/#/nsm/nationalstoragemechanism*.

OVERVIEW OF THE NOTES

This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole, including the information incorporated by reference.

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this overview.

Issuer:	The Co-operative Bank Holdings p.l.c.
Legal Entity Identifier ("LEI") of the Issuer:	213800MY2BSP459O8A22
Website of the Issuer:	*https://www.co-operativebank.co.uk/* Neither the website of the Issuer nor any information contained thereon is incorporated into, nor forms part of, this Prospectus, save as expressly provided under "*Documents Incorporated by Reference*" above.
Trustee:	Law Debenture Trustees Limited
Principal Paying Agent:	The Bank of New York Mellon, London Branch
Registrar and Transfer Agent:	The Bank of New York Mellon SA/NV, Dublin Branch
The Issue:	£200,000,000 Fixed Rate Reset Callable Notes due 2028
Issue Price:	100.000 per cent. of the principal amount of the Notes
Issue Date:	19 September 2024
Maturity Date:	19 September 2028
Reset Date:	19 September 2027
Status of the Notes:	The Notes will be direct, unconditional, unsecured, unguaranteed and unsubordinated obligations of the Issuer and will rank *pari passu* without any preference among themselves and, in the event of a Winding-Up (as defined in Condition 3), will rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law. The Notes are obligations of the Issuer only. The Issuer is a holding company with no revenue generating operations of its own and conducts substantially all of its operations through its subsidiaries (in particular, the Bank). Accordingly the claims of the Noteholders under the Notes will be structurally subordinated to the claims of all creditors of the Issuer's subsidiaries (including the creditors of the Bank).

No set-off:	Subject to applicable law, no Noteholder may exercise or claim or plead any right of set-off, netting, compensation, counterclaim or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with, the Notes or the Trust Deed and each Noteholder will, by virtue of their holding of any Note (or any beneficial interest therein), be deemed, to the fullest extent permitted under applicable law, to have waived all such rights of set-off, netting, compensation, counterclaim and retention. Notwithstanding the preceding paragraph, if any of the amounts owing to any Noteholder by the Issuer in respect of, or arising under or in connection with, the Notes is discharged by set-off, netting, compensation, counterclaim or retention, such Noteholder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its Winding-Up, the liquidator or, as appropriate, administrator of the Issuer) and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer) and accordingly any such discharge shall be deemed not to have taken place.
Interest Rate:	The Notes will bear interest on their outstanding principal amount at the initial rate of 5.579 per cent. per annum from (and including) the Issue Date up to (but excluding) the Reset Date, and thereafter at the Reset Interest Rate determined in accordance with Condition 4. Interest will be payable in equal instalments semi-annually in arrear on each Interest Payment Date.
Interest Payment Dates:	19 March and 19 September in each year, from (and including) 19 March 2025 up to (and including) the Maturity Date.
Redemption at Maturity:	Unless previously redeemed, purchased and cancelled or (pursuant to Condition 6.6) substituted or varied, as provided in Condition 6, the Notes will be redeemed by the Issuer at their outstanding principal amount on the Maturity Date.
Redemption at the option of the Issuer:	The Issuer may, subject to Condition 6.9 and having given not less than five Business Days nor more than 30 days' notice to the Noteholders in accordance with Condition 12 (which notice shall, save as provided in Condition 6.9, be irrevocable), elect to redeem the Notes, in whole but not in part, on the Reset Date at an amount equal to their outstanding principal amount together with unpaid interest accrued to (but excluding) the date fixed for redemption.
Redemption following a Tax Event:	Subject to Condition 6.9, if at any time a Tax Event occurs, the Notes may be redeemed at the option of the Issuer, in whole but not in part, at an amount equal to their outstanding principal amount together with unpaid interest accrued to (but excluding) the date of redemption, at any time on the Issuer giving not less than 15 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (which notice shall be irrevocable and shall specify the date fixed for redemption), as further described in Condition 6.3.

Redemption following a Loss Absorption Disqualification Event:	Subject to Condition 6.9 the Notes may be redeemed at the option of the Issuer, in whole but not in part, at an amount equal to their outstanding principal amount together with unpaid interest accrued to (but excluding) the date of redemption, at any time on the Issuer giving not less than 15 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (which notice shall be irrevocable and shall specify the date fixed for redemption), if the Issuer determines that a Loss Absorption Disqualification Event has occurred, as further described in Condition 6.4.
Substitution and Variation following a Tax Event or a Loss Absorption Disqualification Event:	If a Tax Event or a Loss Absorption Disqualification Event has occurred, then the Issuer may, in its sole discretion but subject to the conditions set out in Condition 6.9, without any requirement for the consent or approval of the Noteholders, at any time on the Issuer giving not less than 15 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (whether before or following the Reset Date) either substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Compliant Securities), as further described in Condition 6.6.
Clean-up Redemption Option at the option of the Issuer	Subject to Condition 6.9, if at any time after the Issue Date 75 per cent. or more of the aggregate principal amount of the Notes originally issued (for these purposes, taking into consideration any adjustment for effect of the statutory write-down tool pursuant to Condition 20) (and, for these purposes, any Further Notes issued pursuant to Condition 14 will be deemed to have been originally issued) has been purchased and cancelled pursuant to Conditions 6.7 and 6.8, then the Issuer may, at its option, and having given not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 12 (which notice shall be irrevocable and which shall specify the date fixed for redemption), redeem the remaining Notes in whole, but not in part, at any time at an amount equal to their outstanding principal amount together with unpaid interest accrued to (but excluding) the date of redemption, as further described in Condition 6.5.
Default and Enforcement:	Rights of enforcement in the event of payment default or breach of other obligations under the Notes or the Trust Deed are limited, as further provided in Condition 9. In particular, if the Issuer fails to pay any amount due on the Notes on the due date and such default continues for a period of 7 days (in the case of principal) or 15 days (in the case of interest), the sole remedy of the Trustee (failing which, the Noteholders) will be to institute proceedings for the winding-up of the Issuer in England (but not elsewhere) and prove and/or claim in such winding-up in respect of the Notes. No Noteholder shall be entitled to institute proceedings for the winding-up of the Issuer or to prove or claim in a Winding-Up of the Issuer or to take any other enforcement action against the Issuer in respect of the Notes or the Trust Deed unless the Trustee, having become bound so to proceed in accordance with the Conditions, fails or is unable to do so

within a reasonable time and such failure or inability is continuing, in which case the Noteholder shall, with respect to the Notes held by it, have only such rights against the Issuer as those which the Trustee is entitled to exercise in respect of such Notes.

See Condition 9 for further information.

Withholding Taxes: All payments of principal and interest in respect of the Notes by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by, within or on behalf of the Tax Jurisdiction, unless such withholding or deduction is required by law.

In such event, in respect of payments of interest (if any) only, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of interest which would otherwise have been receivable in respect of the Notes, in the absence of such withholding or deduction, save in certain limited circumstances as set out in Condition 7, all as further described in Condition 7.

Modification: The Conditions of the Notes will contain provisions for calling meetings of Noteholders to consider and vote upon matters affecting their interests generally. Extraordinary Resolutions may also be passed by Noteholders by way of (i) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding or (ii) a resolution passed by way of electronic consents given by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding.

These provisions enable defined majorities of the Noteholders to bind all Noteholders. An Extraordinary Resolution passed at any meeting of Noteholders or in writing or by way of electronic consents will be binding on all Noteholders, whether or not they are present at the meeting or voting in favour or, as the case may be, whether or not signing the written resolution or providing electronic consents.

Substitution of the Issuer: The Conditions and the Trust Deed provide that the Trustee may, without the consent of the Noteholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under the Conditions) as the principal debtor under the Notes and the Trust Deed of the Holding Company or a Successor in Business (as defined in the Trust Deed) of the Issuer or a subsidiary of the Issuer or of the Holding Company, subject to certain conditions set out in the Trust Deed being complied with.

In the case of a substitution of the Issuer within the first 12 months following the Issue Date where such substitute issuer is (i) a Holding Company of the Issuer; and (ii) incorporated pursuant to the Building Societies Act 1986 (a "**Relevant Substitute**"), the Issuer shall have the right to (simultaneously with such substitution), without the consent of the Noteholders, amend the provisions relating to the ranking of the Notes such that they become, and rank equally with, the secondary non-

	preferential debt of the Relevant Substitute, as further specified in the Conditions.
Form of the Notes:	The Notes will be issued in registered form in denominations of £100,000 and integral multiples of £1,000 in excess thereof. The Notes will be represented initially upon issue by the Global Certificate which will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream, Luxembourg on or around the Issue Date. Definitive Note Certificates evidencing holdings of Notes will be available only in certain limited circumstances. See "*Summary of Provisions Relating to the Notes in Global Form*".
Listing:	Application has been made to list the Notes on the Official List and for the Notes to be admitted to trading on the Market with effect from on (or around) the Issue Date.
Clearing:	The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg with the following ISIN and Common Code: ISIN: XS2884724837 Common Code: 288472483
Governing Law:	The Notes and the Trust Deed will be governed by, and shall be construed in accordance with, English law.
Jurisdiction:	The courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed or the Notes.
Selling Restrictions:	The offering and sale of Notes is subject to applicable laws and regulations including, without limitation, those of the United States and the United Kingdom. See "*Subscription and Sale*".
Prohibition of sales to EEA and UK retail investors:	The Notes are not intended to be offered, sold or otherwise made available, and should not be offered, sold or otherwise made available, to retail investors in the EEA or the UK. See further under "*Offer Restrictions*" above and "*Subscription and Sale*" below.
Risk Factors:	Investing in the Notes involves a high degree of risk. See the section of this Prospectus headed "*Risk Factors*".
Ratings of the Notes:	The Notes are expected to be rated "Ba2" by Moody's. As defined by Moody's, obligations rated "Ba" are judged to have "*speculative elements and are subject to substantial credit risk*". The modifier "2" indicates "*a mid-range ranking*". (*Source: Moody's: https://www.moodys.com/ratings-process/Ratings-Definitions/002002*) A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Use and Estimated Net Amount of Proceeds:	The proceeds of the issue of the Notes will be on-lent to the Bank. The Notes are intended to count towards the resources of the Group available for meeting its minimum requirements for own funds and eligible liabilities ("**MREL**") and the on-loan is intended to count as MREL of the Bank and the Banking Group. This will further strengthen the Bank's loss absorbing capacity base. The net proceeds of the Notes may be used, in whole or in part, (i) to repurchase or refinance existing debt, including pursuant to the Tender Offer (as defined in this Prospectus) and/or (ii) for general corporate purposes. The Issuer and the Bank intend that the Bank will use an amount equal to the net proceeds of the issue of the Notes (expected to amount to approximately £199,460,000) for the purposes of advancing loans to customers for financing and/or refinancing, in whole or in part, Eligible Green Assets in accordance with the Group's GSS Framework from time to time. See further "*Use and Estimated Net Amount of Proceeds*".
Recognition of UK Bail-in Power:	Notwithstanding, and to the exclusion of, any other term of the Notes or any other agreements, arrangements, or understandings between the Issuer and any Noteholder or beneficial owner of any Notes, by its acquisition of any Note (or any interest therein), each Noteholder (and each beneficial owner of Notes) will acknowledge and accept that the Amounts Due or any other liability arising under the Notes may be subject to the exercise of the UK Bail-in Power by the Resolution Authority, and will acknowledge, accept, consent to, and agree to be bound by the effects thereof, all as further described in Condition 20.

RISK FACTORS

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

In addition, factors which the Issuer believes are material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

RISKS RELATING TO THE ISSUER, THE BANK AND THE GROUP

The Bank is an indirectly wholly-owned subsidiary of the Issuer and is the principal operating subsidiary within the Group. The Issuer is the Group's ultimate holding company, its principal asset being its investment in The Co-operative Bank Finance p.l.c. ("**FinanceCo**"), and in turn, FinanceCo's principal asset is its investment in the Bank as its wholly owned subsidiary. In addition, the Issuer benefits from certain intercompany receivables owing from the Bank in respect of the on-lending of proceeds of the Existing Notes (as defined in "*Overview of the Issuer and the Group*") and, when issued, the Notes). Accordingly, risks affecting the financial condition, business and operations of the Bank will also affect the Issuer and the Group, and the description of risks set out below as they relate to the Bank should be read accordingly.

The Bank's business and financial performance has been and may continue to be affected by the general economic, political and social conditions in the UK and elsewhere, and adverse economic, social or political developments or health epidemics in the UK or elsewhere could cause the Bank's earnings and profitability to decline

The Bank is directly and indirectly subject to inherent risks arising from general economic conditions in the UK and other economies and the state of the global financial markets both generally and as they specifically affect financial institutions. The global economic, political and social conditions have also been, and are likely to continue to be, affected by concerns over increased geopolitical tensions, including those related to economic and trade policies and the effects of contagious diseases with human-to-human airborne or contact propagation effects, such as the coronavirus ("**Covid-19**") pandemic. In addition, a number of governmental changes following elections in the UK, the United States of America and across Europe during the second half of 2024 could have an as yet unknown impact on global political and economic conditions, and accordingly, on the Bank's operations and business.

A potential tightening of liquidity conditions in the future as a result of, for example, further deterioration of public finances of the UK or other European countries may lead to new funding uncertainty, resulting in increased volatility and widening of credit spreads. If there is a global, regional or national financial crisis, the Bank may experience reductions in business activity, increased funding costs, decreased liquidity, decreased asset values, additional credit impairment losses and lower profitability and revenues. Contagious diseases could also affect the Group's or its suppliers' operations, which could affect the Group's costs or ability to meet its core activities and initiatives. In addition, the occurrence of such health epidemics and contagious diseases in the UK can cause operational disruption as the Bank can provide no assurance on what the impact of any future spread of such contagious diseases on its business will be or how it may need to continue to review and adapt ways of working among its employees and locations to ensure business continuity and support to colleagues and customers. Any of the foregoing factors could have a material adverse effect on the Bank's business, financial condition and results of operations.

The aforementioned market dislocations were also accompanied by recessionary conditions and trends in the UK and many economies around the world. The widespread deterioration in these economies affected, among other things; consumer confidence, levels of unemployment, the housing market, the commercial real estate sector; bond markets, equity markets, counterparty risk, inflation, the availability and cost of credit, transaction volumes in wholesale and retail markets, the liquidity of the global financial markets and market interest rates, which in turn had, and continues to have, in a number of respects, a notable effect on the Bank's business, operating results, financial condition and prospects.

There remain continued challenges and uncertainty for the UK economy, including the combined economic prospects of the Eurozone, which presents a risk of a slowdown in economic activity in the UK's principal export markets, the impact of any future government austerity measures, and the continued pressure on household incomes.

After a period of rapidly rising inflation rates in 2022 and 2023, inflationary pressures in the UK and other developed economies have eased somewhat in the first half of 2024, leading to a stabilisation of central banks' interest rates. Despite this stabilisation, the interest rates remains at a high level, resulting in increased costs of funding for the Bank. A rising cost of living and the associated affordability pressure faced by the Bank's customers could lead to material credit losses for the Bank, particularly if inflation were to outpace wage-growth, and/or if unemployment rises, as this pressure on households may lead to an increase in arrears in the Bank's residential lending portfolios, and the Bank's unsecured debt products (as described in *"Product Offering" – "Retail Lending" – "Unsecured Lending"*) and an associated increase in retail impairment provisions. See also the risk factor entitled *"The Bank's earnings and net interest margins may be adversely affected by a number of factors"*.

Although the UK is not, as at the date of this Prospectus, in recession, if a recession were to occur, sterling were to further depreciate materially, or the Bank's regulatory environment were to change dramatically, it could have a material adverse effect on the Bank's business, operating results, financial condition and prospects.

The Bank's earnings and net interest margin may be adversely affected by a number of factors

The Bank's net interest margin and, consequentially, earnings are affected by the pricing on the lending products it offers to its customers and the cost of its funding. The Bank's net interest margin improved during 2022 and 2023, mainly driven by the widening of liability margins as a result of increases in the Bank of England base rate in that time period, ultimately rising to 5.25 per cent. (its highest level since 2009). However, the Bank's current business Plan (as further discussed and defined below) assumes that the margin on deposit products will reduce as the Bank of England base rate reduces, as it did on 1 August 2024 (to 5.00 per cent.). There is a risk that margins fall further than current expectations. The Bank of England's rate decisions are affected by a large number of complex factors, and the trajectory of the base rate remains difficult to predict. The Plan also assumes that the mix of deposits on the balance sheet develops to include a greater proportion of deposits from small and medium- sized enterprises ("**SMEs**"), together with growth in retail current accounts which are typically superior margin products for the Bank. There can be no assurance that the Bank will be able to achieve these outcomes.

Actual or expected reductions in the Bank of England base rate in the future may adversely affect the Bank's net interest margin if liability margins narrow as a result and the assumed income from the Bank's structural hedging programmes is lower than forecast. In addition, the future expense of meeting current and future regulatory capital requirements may have an adverse effect on the Bank's net interest margin.

Competition across the UK mortgage market is intense, particularly for lower loan-to-value ("**LTV**") products, and is likely to continue, putting downward pressure on returns available for the lowest risk-weighted mortgage assets and potentially reducing the profitability of higher risk-weighted mortgage assets as competition in this segment intensifies.

The personal borrowing sector in the UK remains heavily indebted and vulnerable to increases in unemployment, rising interest rates and/or falling house prices.

Increased unemployment could lead to higher levels of arrears, in the Bank's retail lending portfolios which, in turn, would lead to an increase in the Bank's impairment charges in respect of these portfolios. Increased unemployment could also result in a lower demand for the Bank's products.

Further rises in interest rates would put pressure on existing and new borrowers whose loans are linked to the base rate, other benchmark rates such as SONIA or the Bank's variable rates, as well as borrowers who took out mortgages at an initial fixed rate in a low interest rate environment and will experience much higher interest rates upon such initial fixed rate period expiring. Such customers may have become accustomed to the historically low interest rate environment in recent years, and the affordability of their mortgage may have been based on such low interest rates. A significant portion of the Bank's outstanding residential mortgage loans are potentially subject to changes in interest rates. In an increasing interest rate environment, borrowers seeking to avoid increased monthly payments caused by interest rate increases by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates and this could lead to an increase in arrears in the Bank's secured lending portfolios, as well as an increase in the Bank's secured loan impairment charges. The majority of the remaining unsecured loan portfolio (as opposed to the secured lending portfolio) is on fixed rates.

The cost of living pressures and recent increases in the Bank of England's base rate, as well as other factors, have put increasing pressure on the UK housing market. If UK house prices continue to fall generally or in particular regions to which the Bank has significant exposure, this could result in an increase in the Bank's secured loan impairment charges as the value of the security underlying its mortgage loans is reduced.

Declining UK commercial property values, or weakening commercial loan performance affected by UK business and economic conditions, may also result in an increase in the Bank's loan impairment charge and inflate commercial loan risk weighted assets ("**RWAs**").

In addition, further increases or stabilisation in interest rates could trigger unforeseen, adverse movements in the Bank's existing portfolio; in particular in relation to an accelerated run-off of current account balances, demand savings balances or standard variable rate mortgage balances, as customers perceive that there is greater incentive to review their finances. This could adversely affect the Bank's operational and financial performance. Conversely, decreases in the Bank of England base rate, including a negative rate, may adversely impact the Bank's net interest margin and profitability, as the Bank may not fully pass on negative Bank of England base rates to retail or SME depositors.

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

There is a high level of interdependence between financial institutions as a result of their credit, trading and clearing activity and other relationships. The Bank routinely executes transactions with counterparties in the financial services industry, resulting in large daily settlement amounts and significant credit exposure. As a result, the Bank is and will continue to be subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of other financial services institutions. Systemic risk in the banking system has become a point of considerable focus. The speed of systemic risk crystallising has become more acute with the increased digital adoption by customers for their banking services. Within the financial services industry, the default or failure of any one institution could lead to defaults or failure by other institutions. Concerns about, or a default or failure by, one institution could lead to significant deposit outflows and liquidity problems, losses or defaults by other institutions (such as the Bank), which can escalate rapidly, and can result in a loss of confidence in other financial institutions or the financial system more generally. This can be seen in the market disruption following the failure of Silicon Valley Bank in March 2023 and the ensuing events concerning other financial institutions, including Credit Suisse, Signature Bank and First Republic Bank. Even the perceived lack of creditworthiness of, or questions about, a financial institution (including the Bank) or a counterparty may lead to significant deposit outflows, institution- or market-wide liquidity problems and losses or defaults by the Bank or by other institutions. This systemic risk could have a material adverse effect on the Bank's ability to raise new funding, its ability to meet its obligations in respect of its existing funding (including the Notes) and on its business, financial condition, results in operations, liquidity and/or prospects. Whilst the Group has not, as at the date of this Prospectus, been adversely impacted by the events surrounding Silicon Valley Bank, Credit Suisse, Signature Bank and

First Republic Bank, markets remain subject to volatility and there remains a risk that similar events could occur in the future which would adversely affect the Bank's business, financial condition or results in operations.

Risks relating to the Bank's ability to implement its strategy

A failure to successfully implement, or a delay in implementing, the Bank's strategy (including issuing own funds instruments and other "MREL" qualifying debt) may adversely impact the Bank's business, operating results, financial condition and prospects, its regulatory capital position and its future ability to comply with its regulatory capital requirements.

Background

In December 2018, the Bank adopted a new five-year business plan (the "**2019 Plan**"), which was updated in 2021 following progress made to deliver the strategic objectives of the 2019 Plan, with particular focus on the material delivery of key strategic projects such as the separation from the Co-operative Group (including pension scheme and IT services separation) and desktop transformation, through upgrading IT hardware and software (the 2019 Plan as updated, the "**Plan**"). The Plan includes measures intended to reinvigorate customer interaction (for example through improved branch and digital channel capabilities); measures intended to improve its financial performance (for example the targeted increase in franchise deposits including SME liabilities); measures intended to improve its operational performance and measures intended to improve the Bank's capital adequacy position (see further "*The Bank and the Issuer may be unable to complete capital markets issuances required to maintain regulatory capital requirements and MREL compliance*" below). The Plan continues to focus on targets for improved growth and efficiency. The Plan sets out the refreshed and extended outlook over 2022-2026 (the "**planning period**"), with the Bank targeting balance sheet growth, cost control, further technology transformation and sustained profitability.

The Group's latest update of the Plan was completed in the second half of 2023 and signed off by the Board in February 2024, adding further granularity to the period beyond 2024 and extending the strategic planning period through to 2028.

Plan Implementation Risk

There is a risk that the Bank's strategy to deliver the Plan may be insufficient to deliver the projected benefits. The successful execution of the Bank's strategy requires the simultaneous execution of a number of complex and overlapping projects, particularly the migration of heritage Britannia and WMS Platform IT infrastructure to single mainframe supported solutions for mortgages and savings, involving significant changes to the Bank's systems and operations in a manner that does not impact negatively upon the Bank's brand, reputation, customer satisfaction or its relationships with, and ability to retain, its employees. As at the date of this Prospectus this project is materially complete. However, there is a risk that the Bank does not deliver such large-scale changes within the timescales and budgets contemplated by the Plan. Key remaining changes required to execute the Bank's strategy include:

(i) improving and diversifying revenue in its businesses;

(ii) implementation of its IT strategy; and

(iii) reinvigoration of its SME lending proposition.

Many of the risk factors relating to the Bank and its business set out in this Prospectus could have a significant adverse impact on the Bank's ability to deliver the above changes and its strategy.

The Bank's ability to deliver its strategy and achieve the targets in the Plan is based on underlying assumptions that are subject to significant risks and uncertainties.

The Plan includes key assumptions on which the proposed actions and targets are premised. If actual operating results differ from those targeted or the assumptions underlying the Plan prove to be incorrect or

require change throughout the life of the Plan, the Bank may be unable to take management actions to address these differences effectively. There is a risk that the Bank will be unable to implement the Plan (including issuing further own funds instruments or other "MREL" qualifying debt) as assumed or expected or at all.

While the Bank is committed to delivering a number of significant regulatory changes throughout 2024 and beyond, there is a risk that the Bank may not deliver regulatory changes within the required timescales. Should failure to deliver the Plan lead to a deficiency in the Bank meeting its various capital requirements there is a risk that the PRA or FCA may, at its discretion, elect to exercise one or more of its various powers over the Bank. This could include increased regulatory attention or requirements, restriction of distributions, a variation of the Bank's permissions, restricting the Bank's business or, in conjunction with the other resolution authorities, imposing a write-down of the Bank's regulatory capital instruments, and, potentially, the commencement of a wider resolution procedure in respect of the Bank, particularly if it were satisfied that the Bank is failing, or is likely to fail.

Furthermore, the Bank introduced a dividend policy in March 2023. Future distributions to the Issuer's shareholders may reduce the surplus capital or MREL resources available to the Group to satisfy its capital and MREL requirements, or otherwise to mitigate stresses that may arise in the future.

The successful development and implementation of the Bank's strategy requires difficult, subjective and complex judgements including about a range of factors which are not within the Bank's control, e.g. forecasts of economic conditions, which remain challenging due to the uncertainties surrounding inflationary pressures and the causes thereof, as well as the trajectory of the Bank of England's base rate. Furthermore, the successful implementation of the Bank's strategy is contingent upon a range of factors which are beyond the Bank's control, including market conditions, interest rates, the general business environment, regulation (including currently unexpected regulatory change), the activities of its competitors and consumers and the legal and political environment. See further *"The Bank's business and financial performance has been and may continue to be affected by the general economic, political and social conditions in the UK and elsewhere, and adverse economic, social or political developments or health epidemics in the UK or elsewhere could cause the Bank's earnings and profitability to decline"*.

Capital Management – MREL

The Bank and the Issuer may be unable to complete capital markets issuances required to maintain regulatory capital requirements and MREL compliance

To support the effectiveness of bail-in and other resolution tools, the UK implementation of Directive 2014/59/EU (the "**BRRD**") requires that institutions must meet a minimum requirement for own funds and eligible liabilities (known as "**MREL**") at the level of the institution and at a group level which may be bailed-in, calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities. Items eligible for inclusion in MREL will include an institution's own funds, along with "eligible liabilities".

A critical component of the Bank's strategy and the Plan is for the Group to refinance its existing debt and issue further regulatory capital instruments and other debt qualifying for inclusion in the Issuer's and the Group's capital and MREL resources to either refinance existing issues and/or optimise the Bank's capital and MREL resources. The issue of the Notes is based on current regulatory requirements and the amount being raised is based on certain assumptions being made. There is no guarantee that the PRA or Bank of England will not enforce stricter regulatory capital or MREL requirements on the Bank and/or the Group (whether specifically applicable to the Bank and/or the Group or to banks more generally), resulting in a need for the Bank and the Group to raise further regulatory capital or MREL. Future capital/MREL-qualifying issuances may also be required as a result of further costs or losses or shortfall in revenues and capital or MREL requirements exceeding the Bank's estimates. The Bank and the Group may be unable to raise any additional capital or MREL it may need on acceptable terms, when needed, or at all. In such cases, the Bank and the Group may breach their respective regulatory capital or MREL requirements or expectations and there may be a risk of the PRA exercising any of its wide ranging powers over the Bank or

the Group, including resolution or pre-resolution measures under the UK Banking Act 2009 (the "**Banking Act**").

The Bank's MREL requirement is the higher of (i) two times the Bank's total capital requirement (being 26.1 per cent. of risk weighted assets as at 30 June 2024) and (ii) (only if the Bank is then subject to a binding leverage ratio requirement, which it currently is not) two times the Bank's leverage ratio. In addition to previous MREL issuances and the proposed issue of Notes (which are intended to qualify as eligible liabilities for MREL purposes) under this Prospectus, the Issuer may issue further own funds instruments or other MREL-qualifying debt in order for the Group to continue to meet its regulatory capital and MREL requirements and optimise its capitalisation structure over time.

There are risks that the Issuer and the Bank will be unable to raise the required capital and MREL-qualifying debt, or refinance its MREL-qualifying debt or capital instruments, in wholesale funding markets on acceptable terms, when planned, or at all, and that the Bank and the Group will be unable to maintain their capital requirements compliance, and maintain their MREL and capital buffer requirements compliance, and pillar 2 guidance, when planned, or at all. The Bank's Plan targets maintaining a surplus to the Bank's pillar 2 guidance throughout the planning period. To the extent that the Bank does not perform in line with its strategy and the Plan, or regulatory requirements are increased for any reason, additional Common Equity Tier 1 ("**CET1**"), or other capital/MREL-qualifying issuance and management may be required over and above that assumed in the Plan. Any failure to raise such further capital/MREL-qualifying issuance could have a material adverse effect on the Bank's and the Group's regulatory capital position, including their ability to maintain adequate loss-absorbing capacity. A failure by the Bank and/or the Group to meet some of their regulatory capital and MREL requirements will impact the actions that management are able to take to implement the Plan and may lead to HM Treasury, the PRA, the FCA and the Bank of England (the "**Authorities**") exercising some or all of their powers over the Issuer and Bank, including, among other things, powers of intervention, the power to mandatorily write-down or bail-in the Group's capital instruments (including the Notes) and potentially other eligible liabilities (see "*The UK Banking Act 2009 confers substantial powers on the UK resolution authorities, designed to enable them to take a range of actions in relation to UK deposit-taking institutions (and their groups) which are considered to be at risk of failing. The exercise of any of these actions in relation to the Issuer, the Group, the Bank or the Notes could materially adversely affect the value of the Notes and/or the rights of Noteholders*") and the power to place the Issuer and Bank within the Special Resolution Regime (the "**SRR**") if they consider the Bank would otherwise be likely to fail.

If the further MREL-qualifying instruments contemplated in the Plan are not issued, the Bank may in the future be double-counting CET1 towards the then-applicable MREL and capital buffer requirements, which would be contrary to the PRA's expectations. The principal remedy to any double-counting would likely be the issue of further MREL-qualifying instruments.

A double-count of CET1 towards MREL and capital buffers may result in automatic restrictions under the prudential rules (for example, if the minimum mandatory buffer requirements under the prudential framework are not met, mandatory restrictions on distributions on CET1 and Additional Tier 1 capital (if in issue) apply under the Capital Buffer part of the PRA Rulebook) and/or may lead to a risk that the PRA elects to exercise one or more of its various powers over the Bank (which the PRA may elect to implement even if the mandatory capital and buffer requirements are met, for example if there is a failure to meet in full the PRA buffer guidance). This could include increased regulatory attention or requirements, a variation of the Bank's permissions, restricting the Bank's business or, in conjunction with the other resolution authorities, imposing a write down of the Issuer's and/or Bank's regulatory capital instruments.

The Bank may be unable to preserve its market share in new business mortgage assets or other products through the life of the Plan as assumed in the Plan at the margins assumed

The Plan assumes that the Bank's market share in new business mortgage assets is preserved, allowing the Bank to increase prime residential mortgage asset volumes, through intermediary lending over the life of the

Plan. Credit card balances are assumed to increase modestly through the planning period. The personal financial services industry is mature, so growth often requires taking market share from competitors. The Bank risks losing market share to other banks, building societies, insurance company competitors and new 'Fintech' entrants, which may impact the Bank's plans to increase Bank profitability based on preserving its market share of new mortgage origination and other products over the life of the Plan.

The Plan assumes that the Bank will be able to preserve its margin on deposit products due to its assumed interest rate pass-back strategy related to future Bank of England base rate changes. There is a risk that, if market forces determine that the timing and proportion of interest rates to be passed back to its deposit and lending customers are not consistent with expectations, the Bank may not be able to widen its net interest margin to the extent it has projected or at all. The Plan also assumes that the mix of deposits on the balance sheet develops to include a greater proportion of SME deposits and growth in retail current accounts and retail deposits which are typically superior margin products for the Bank. Following the speed and magnitude of prior Bank of England base rate increases there is increased regulatory focus on deposit pass back strategies and the fairness of their liability product pricing. There is a risk that the regulator introduces more forceful regulation in this regard that may have an adverse impact on the Bank's forecast deposit margins, profitability, and growth.

Furthermore, the pricing strategies of the Bank's competitors could directly impact the pricing of the Bank's products. The Bank participated in the Bank of England's Term Funding Scheme with additional incentives for SMEs` ("**TFSME**") scheme to maintain new lending growth (which closed in October 2021). However, pressure to re-finance TFSME scheme drawings during the planning period may adversely impact the Bank's ability to price deposit and lending products competitively and achieve its market share targets. These risks may be increased if the Bank is unable to complete cost saving initiatives and make the investments necessary in its people, products or systems to preserve and improve its competitive position in an increasingly competitive market within prudent and appropriate risk appetites that do not expose the Bank to additional or new categories of conduct and legal risks.

The Bank may be unable to increase or maintain the level of its mortgage assets

The Plan targets growing the Bank's core customer assets in each year of the planning period. This growth is expected to be driven primarily by "The Co-operative Bank for Intermediaries", the Bank's mortgage intermediary origination business. The Bank's ability to achieve these targets depends on improvements in its customer proposition, the success of a limited number of intermediaries who also sell mortgages of the Bank's competitors, and the Bank's ability to attract business in a crowded, competitive, and mature UK mortgage market. There is a risk that the growth of these assets will be significantly less than planned, and that mortgage retention and/or new mortgage origination may be significantly less than expected due to any number of internal or external factors. These factors include, for example, a possible contraction of the UK mortgage market, the Bank's reliance on the intermediary mortgage market for new originations similar to competitors, volatility in relation to house prices in the UK and/or the risk of the Bank being unable to support the underwriting process by improving its existing predictive credit modelling capability, and/or the risk that the Bank's relationships with one or more intermediaries may deteriorate for a variety of reasons, including competitive factors, and/or that the pressure to achieve the targeted increase in mortgage assets may create new conduct, legal and regulatory risks.

The Bank's high operating costs inhibit the Bank's profitability and may hinder its ability to generate new capital

The Bank's relatively high statutory cost:income ratio of 91.5 per cent. as at 30 June 2024 (31 December 2023: 86.1 per cent.), which includes transaction related costs in respect of the Acquisition (as defined below) that have been incurred to date, and does not include further costs (including variable pay and advisor related costs) that are contingent on the Acquisition completing, inhibits the Bank's profitability and may hinder its ability to generate new capital and may be commercially unsustainable. The Plan targeted a reduction in operating costs with targeted total statutory costs in 2024 of £410 million, and over the next four years, the

Bank is targeting a statutory cost:income ratio of c.50 per cent. The Bank's medium term cost target has been revised to £370 million - £380 million, driven by a combination of factors including inflationary pressure in staff and non-staff costs, partly offset by operating efficiency savings.

The Bank expects costs to stabilise from 2026 following delivery of a strategic cost reduction programme in 2024 and 2025.

There is a risk that if the Bank does not deliver its cost reduction initiatives there will be a negative impact on its profitability and capital position. Furthermore, the implementation of cost reduction initiatives, for example reductions in full time equivalent employee numbers, changes to third-party supplier arrangements, systems transformation activity, and simplification of the Bank's product offering and distribution, may not achieve the targeted cost savings and, instead, may impede the Bank from preserving its market share and expose the Bank to competitive pressure from competitors investing in their product offerings and/or expose the Bank to additional or new conduct and legal risks and furthermore may limit the Bank's ability to deliver growth in its core customer asset base and mortgage asset volumes as assumed in the Plan.

Transformation programmes are high risk and could fail, may cost more than expected, take longer, or deliver less benefit than planned

The Bank is targeting total (strategic and operational) project cash spend of approximately £59 million to develop digital transformation in 2024, inclusive of approximately £15 million of ongoing digital scrum spend. So far, this has included the consolidation of the Bank's mortgage and savings systems which was materially completed in the first half of 2024. In total, beyond 2024, the Plan assumes some costs are allocated to, as yet, unknown regulatory and mandatory projects, with future strategic projects to be considered for prioritisation based on the business case as part of the Bank's updated strategy due before the end of 2024. Any deficiencies in project scoping, appropriate governance and related programme management processes to assist with the satisfactory delivery of these activities would have an adverse effect on the Bank's operating results and financial condition compared with those targeted in the Plan.

There are risks that the Bank may be unable to complete its transformation programme when planned, that there may be a requirement to upgrade the Bank's systems, infrastructure, processes and controls, and that the programmes as a whole may cost significantly more than targeted or have a reduced scope for the same targeted costs, or deliver less benefit than planned, thereby impacting associated cost reductions or income-generation plans assumed in the Plan. This may have a material adverse impact on the performance of the Bank, which may lead to a failure to meet its capital requirements and the risk that the PRA may, at its discretion, elect to exercise one or more of its various powers over the Bank.

The Bank may be unable to access liquidity and funding and/or adequately manage its liquidity position

There is a risk that the Bank may be unable to maintain access at an appropriate cost to liquidity and funding to fund the requisite level of asset origination targeted in the Plan. If the Bank cannot successfully attract or retain business, there is a risk that the Bank may suffer a constraint on liquidity and/or breach its regulatory minimum liquidity requirement.

Furthermore, whilst the Bank may be able to manage its liquidity position in such circumstances to avoid a breach of regulatory minimum liquidity requirements through any or a combination of options, or by increasing wholesale funding activity, significant levels of customer withdrawals would be likely to adversely affect its net interest income and/or balance sheet growth and, ultimately, the Bank's ability to deliver its strategy. This may have a material adverse impact on the performance of the Bank, which may lead to a failure to meet its capital requirements and the risk that the PRA may, at its discretion, elect to exercise one or more of its various powers over the Bank.

Deterioration in wholesale funding markets may have an adverse effect on the Bank

Various governments and central banks, including the UK government and the Bank of England, have in recent years taken measures to create liquidity, resulting in greatly improved levels of liquidity and a lower cost of funding at major UK banks and building societies. However, neither the Bank nor the Issuer has

influence over the policy making behind such measures. Further, there can be no assurance that these conditions will not lead to an increase in the overall concentration risk and cost of funding of the Bank or otherwise adversely affect the Bank. The Bank has availed itself of certain measures made available by the government to financial institutions over recent years including the Bank of England's Funding for Lending Scheme (the "**FLS**") and the Term Funding Scheme (the "**TFS**"). The Bank did participate in both the FLS and the TFS but no longer has any drawings outstanding.

The TFSME opened on 15 April 2020 and ran until 31 October 2021. The TFSME was designed to support banks and building societies which were finding it difficult to reduce deposit rates much further in a low interest rate environment. The continuation and extension of Government schemes designed to support lending may increase or perpetuate competition in the retail lending market, resulting in sustained or intensifying downward pricing pressures and consequent reductions in net interest margins. The Bank participated in the TFSME and as at 30 June 2024 had outstanding TFSME drawings of £3.6 billion (31 December 2023: £4.0 billion).

The availability of Government support for UK financial institutions, to the extent that it provided access to cheaper and more attractive funding than other sources, reduced the need for those institutions to fund themselves in the retail or wholesale markets and, by participating in schemes such as FLS, TFS and TFSME, the Bank has, in common with other participants in the schemes, reduced the need to fund itself in the wholesale and retail markets. The cessation of the TFS and TFSME can be expected to result in an increase in competition for other forms of funding, which can be expected to increase funding costs across the industry. The Bank may see a reduction in the availability of funding, and an increase in the cost of such funding, as a result. A decrease in the availability of funding may adversely impact the Bank's ability to support its lending operations. Any increase in the cost of funding, driven by this increased competition or by other factors, will adversely impact the Bank's net interest margin, results of operations and financial position, which in turn could affect the ability of the Bank to make payments under the Notes.

Conduct and legal risk provisions may need to be increased beyond those levels assumed in the Plan

The Plan assumes no new categories of conduct and legal risk provisions, and no net increase in provisions for existing categories of conduct and legal risk, charged during the planning period.

There is a risk that the Bank becomes exposed to significant new conduct or legal risks, either as a result of the Bank discovering new categories of conduct and legal risk issues (for example, from the Bank's legacy or new systems and controls, product design and implementation, mis-selling or rate setting of mortgages and other products, or from increasing certain types of products or lending, or the pressures to increase the Bank's new customer assets to meet the Bank's targets, or from regulatory changes imposed on banks generally or on the Bank specifically, or mortgage prisoners' claims) or existing conduct and legal risk issues developing, including in relation to the retrospective application of regulatory decisions (for a further discussion of these legal risk issues, see "*Litigation*"). As such, there is a risk that the current level of provision held is not deemed adequate in the future. Conduct provisions for present or future provisions may be made from time to time in respect of known issues as well as new categories of conduct and legal risk issues that may emerge during the life of the Plan, including as a result of ongoing remediation work which could lead to the identification of new conduct issues, and related remediation and project costs, may be much higher than expected over the life of the Plan.

Higher than expected operating costs, credit impairment, conduct provisions and one-off costs may impact the Group's ability to maintain profitability in the coming years

The Group's statutory profit before taxation for the six month period ended 30 June 2024 was £24.2 million (£71.4 million for the financial year ended 31 December 2023). This includes transaction related costs in respect of the Acquisition (as defined below) that have been incurred to date, and does not include further costs (including variable pay and adviser-related costs) that are contingent on the Acquisition completing. There remain a number of challenges to maintaining profitability ahead, including a continuing need to control and reduce the cost base, generate additional income and manage strategic investment expenditure.

The successful development and implementation of the Bank's strategy and the Plan is exposed to a range of internal and external factors. There is, therefore, a risk that the Group's profitability could differ materially from those anticipated in the Plan as a result of many factors and these differences could be material. Accordingly, the Bank and the Group may not continue to operate profitably to the extent targeted in the Plan, or at all.

The agreed governance structure of the Bank vests additional rights in the B Shareholders (as defined below) which may affect the Bank's ability to deliver all actions agreed by its board including actions envisaged by the Bank's current strategy and the Plan

Following the restructuring of the Group in 2017, the ownership and governance structure of the Bank concentrates significant rights with the Bank's B Shareholders (being those institutional shareholders that own 10 per cent. or more of the A Shares of the Issuer and satisfy certain other qualifying conditions (the "**B Shareholders**")). There is a risk that the B Shareholders may not give any approval required above for actions contemplated by the Bank's strategy and the Plan, or may seek payment of dividends which could reduce the resources available to the Bank to execute its strategy and the Plan. In the event that the Bank is unable to implement any chosen additional management actions or otherwise implement any revised strategy as expected or planned or at all, this could have a material adverse effect on the Bank's business, financial condition, operating results and prospects.

The Bank could be subject to a consolidation, merger, acquisition or sale transaction, possibly in the near term, which could increase competitive pressures and/or materially impact the Bank in other ways

As further described in the section titled "*Recent Developments*" the Bank entered a period of exclusive discussions with Coventry Building Society (**"Coventry**") in the final quarter of 2023. On 18 April 2024 a joint Regulatory News Service ("**RNS**") announcement (incorporated by reference in this Prospectus) was made in respect of the possible acquisition of the Issuer by Coventry. This announcement has since been followed by a joint RNS announcement (incorporated by reference in this Prospectus) made on 24 May 2024, which confirmed the entry into a sale and purchase agreement among Coventry and the B Shareholders, pursuant to which Coventry will acquire the entire issued share capital of the Issuer (the "**Acquisition**"). Upon completion of the Acquisition, an integration period will begin during which the Bank will continue to operate under the Co-operative Bank name and branding while the work to finalise integrated services is completed (the "**Integration Period**"). The Bank will maintain its own banking licence during the Integration Period.

There can be no assurance that the Acquisition will complete. The Acquisition will be subject to the satisfaction of certain conditions, including the receipt of appropriate regulatory clearances. As of the date of this Prospectus, the Acquisition is expected to complete in the first quarter of 2025.

The Acquisition could impact the Bank's future strategy, operations, management and/or board of directors. In particular, if the Bank's current strategy, together with the statements regarding the Bank's financial position and results of operations, or plans, objectives, goals and targets, may not reflect the views or intent of Coventry and may not be an accurate guide to future performance of the Bank following the Integration Period. Following completion of the Acquisition, or any other consolidation, merger, acquisition or sale transaction, the Bank's strategy could materially change, which may adversely affect the Bank's financial condition, results of operations and business performance as well as its ability to attract or retain key personnel.

This could also result in management bandwidth constraints, as well as additional expenditure being incurred (including professional adviser fees), which may continue for several months or longer. This could have a material adverse impact on the Bank's operations and management's ability to deliver on the Plan.

As of the date of this Prospectus, there is no information on what the capital structure of the Group would be upon the closing of the Acquisition. Though it is not anticipated that the Acquisition would, should it proceed, require any immediate changes to the capital structure of the Group or the combined group as a whole, there can be no assurance that there would not be any changes to the capital structure of the Group in the future.

Risks relating to the regulatory environment in which the Bank operates

The Group may be required to increase its capital and MREL resources to comply with regulatory capital requirements or guidance or as a result of further costs or losses exceeding the Bank's estimates and assumptions underlying its Plan

The issue of the Notes is being undertaken in anticipation of current regulatory capital requirements and the amount being raised is based on certain assumptions being made in the Plan, including with regard to the expected outcome in 2024/25 of hybrid secured internal ratings-based ("**IRB**") model developments (as further detailed in the paragraph below).

In 2020, the Bank of England published Policy Statement 11/20 ("**PS11/20**") which covers changes to the modelling of secured credit risk, in particular in relation to the assessment of probability of default and loss given default. As a result of PS11/20, the Bank is required to redevelop its secured IRB models. The Bank has progressed the redevelopment of such secured IRB models throughout 2022 and 2023, alongside regular engagement with the PRA. The Bank submitted the secured IRB models in the final quarter of 2023, but these revised models will be subject to regulatory review and approval. In order to meet the required implementation date, a post model adjustment has been applied as the requirements will increase RWAs. There can be no certainty that this post model adjustment will be sufficient to reflect the full impact of the final regulator-approved PS11/20 model outcome. There is also no guarantee that the PRA or Bank of England will not enforce stricter regulatory capital or MREL requirements on the Issuer, the Bank and the Group (whether specifically applicable to the Bank and/or the Group or to banks more generally), as part of PS11/20 or otherwise, resulting in a need for the Bank and the Group to raise further own funds or other MREL-qualifying instruments. Future capital/MREL-qualifying issuances may also be required as a result of further costs or losses or shortfall in revenues and MREL requirements exceeding the Bank's estimates. The Bank and the Group may be unable to raise any additional capital or MREL it may need on favourable terms, when needed, or at all. In such cases, the Bank and the Group may breach their regulatory capital or MREL requirements or expectations and there may be a risk of the PRA exercising any of its wide-ranging powers over the Bank and/or the Issuer, including resolution under the Banking Act.

The prudential environment applicable to the Bank and the Group continues to evolve

The Basel Committee on Banking Supervision (the "**BCBS**") has approved a series of significant changes to the Basel regulatory capital and liquidity framework since 2010 (such changes are commonly referred to as "**Basel 3**"). Many of these reforms continue to be refined and implemented, with certain additional standards published by BCBS in 2017 (commonly referred to as "**Basel 3.1**") now expected to be phased in over a five-year period commencing 2025.

Basel 3 provides for a substantial strengthening of the prudential rules compared with the framework applying before its implementation, including requirements intended to reinforce capital and liquidity standards (with heightened requirements for global systemically important banks). These reforms have provided for, amongst other things: increasing the amount and quality of capital banks are required to hold against their risk exposures, both as part of their minimum capital requirement and additional 'buffers' designed to enable banks to absorb losses without eroding such minimum requirement; changes in the calculation of risk exposures, including under IRB models, and the introduction of risk-weight floors; establishing a leverage ratio "back-stop" for financial institutions, which requires capital to be held against total risk exposures (without the application of risk-weights); and certain minimum liquidity standards (referred to as the "**Liquidity Coverage Ratio**" and the "**Net Stable Funding Ratio**").

Within the EU, Basel rules are implemented at a European Union ("**EU**") level and many of the Basel 3 standards have already been implemented in the UK under EU legislation that was onshored as part of the UK's exit from the EU. Following the UK's exit from the EU, the implementation of Basel rules became a matter for the UK and the PRA has already made further changes to reflect Basel 3 and consulted in late

2022 on the changes it proposed to implement Basel 3.1 and published the first part of a near final policy statement and rules in December 2023 (PS 17/23).

As a general matter, the UK prudential regime continues to evolve following the UK's exit from the European Union, and the extent to which the UK may elect to implement or mirror future changes in the EU regulatory regime, or to diverge from the current EU-influenced regime over time, remains to be seen. Legislative reforms are being (and in some cases, have been) introduced in the UK under the Financial Services and Markets Act 2023 (which received Royal Assent on 29 June 2023) and the other "Edinburgh Reforms" of UK financial services unveiled on 9 December 2022. The timing and details for the implementation of many of these reforms are expected to become clearer during the course of 2024, however several of the reforms contained in the Financial Services and Markets Act 2023 have now taken effect. In many cases, the provisions grant powers to HM Treasury and regulators to implement the contemplated reforms, so the effects of these are not yet in place. It is likely that the UK authorities will seek to adjust the prudential framework to better reflect the UK's particular financial landscape, as well as transferring parts of the framework currently set in law into the PRA and FCA rulebooks, to provide for greater regulatory flexibility over time.

The evolution and refinement of the prudential framework is likely to continue, including as a result of recent or new developments. For example, there has been recent focus on buffer usability, following experience as to how the particular operation of prudential requirements may have influenced banks' lending decisions during the Covid-19 pandemic.

It is difficult to predict the impacts of the continued evolution and development of the UK prudential framework (and in particular the PRA is yet to publish its final policy statements in relation to Basel 3.1), but such changes could have an impact on the Bank's operations, structure, costs and/or capital requirements and therefore on the ability of the Issuer to meet its obligations under the Notes.

The capital requirements of the Bank and the Group

The capital requirements of the Bank and the Group are assessed on both a risk-weighted basis and a total leverage basis:

Risk-based capital requirements: Under the current prudential framework as at the date of this Prospectus, the Bank and the prudential Group to which it belongs (which is consolidated at the level of the Issuer) are required to hold minimum amounts of regulatory capital equal to 8 per cent. of risk-weighted assets (the "**Minimum Capital Requirement**" or "**MCR**"), plus additional capital buffers comprising a capital conservation buffer and a counter-cyclical buffer. The PRA may also impose a systemic risk buffer (intended to prevent and mitigate macroprudential or systemic risks). Banks may also be designated as 'global systemically important institutions' ("**G-SII**") or 'other systemically important institutions' ("**O-SIIs**"), which designation may attract further buffer requirements (although the Bank is not presently designated as either a G-SII or an O-SII). These combined buffer requirements (the "**buffer requirement**") and the Minimum Capital Requirement together are referred to as "**Pillar 1**" capital requirements, and are applied generally to banks or, for certain of the buffers, banks having certain characteristics.

In addition to the Pillar 1 capital requirement, the PRA may impose individual capital add-ons specific to an institution, which can include an add-on to the Minimum Capital Requirement (often referred to as "**Pillar 2A**", the "**Pillar 2 Requirement**" or "**P2R**") and/or an add-on to the buffer requirements (often referred to as "**Pillar 2B**", the "**PRA buffer**", "**Pillar 2 Guidance**" or "**P2G**").

The Minimum Capital Requirement and Pillar 2A requirement must be met with at least 56.25 per cent. CET1 capital and at least 75 per cent. Tier 1 capital, with not more than 25 per cent. Tier 2 capital. The buffer requirement and PRA buffer must be met solely with CET1 capital. The PRA presently requires that the level of the PRA buffer is not publicly disclosed (unless required by law).

As at 30 June 2024, the overall capital requirement (excluding the PRA buffer) of the Bank (and of the Group, which has the same requirements as the Bank) was 17.52 per cent. of its risk-weighted assets, comprising the MCR of 8.00 per cent., a capital conservation buffer of 2.50 per cent., a counter-cyclical buffer of 1.97 per cent. and a Pillar 2A requirement of 5.05 per cent. of its risk weighted assets. The Group is also required to meet overall MREL requirements designed to support the preferred resolution strategy for the Group (as further discussed below). The Bank and the Group may also decide to hold additional amounts of capital and MREL-eligible instruments, as part of its risk and growth strategies.

As at 30 June 2024, the Bank's (and the Group's) CET1 ratio was 19.7 per cent. (excluding unaudited profits) (31 December 2023: 20.4 per cent.), their total regulatory capital ratio was 23.8 per cent. (31 December 2023: 25.3 per cent.) and the Bank (and the Group) complies with its Pillar 2B guidance (currently set by the PRA at a level in order to withstand prudential stress test scenarios, and to be met exclusively with CET1 capital). The Bank would not require PRA forbearance if its Pillar 2B guidance were not met in the future, though the PRA does have powers it can exercise whilst a bank is in deficit to its Pillar 2B guidance, should the PRA not be satisfied with the capital restoration plan submitted by the firm. Whilst the automatic distribution constraints associated with failure to meet in full the mandatory capital buffer requirements under the prudential framework do not apply to the Pillar 2B guidance, the PRA may still use its discretion to impose restrictions on discretionary distributions in such circumstances. PRA forbearance is required should the Bank not meet its Pillar 1 and Pillar 2A requirements, which the Bank does meet as at the date of this Prospectus. The Group may raise capital in order to enable it to meet its capital requirements, but there is a risk that the Group is unable to raise such capital, or unable to do so at what it considers to be a reasonable cost. The Bank's ability to write new business and to carry out the Plan may be constrained going forwards if it is unable to raise sufficient capital, which in turn could have a material adverse impact on its performance and results of operations.

Any failure by the Bank or the Group to meet their risk-weighted capital requirements in full may have an adverse effect on their reputation as well as their businesses, operating results, financial condition and prospects, could result in regulatory intervention and, in a severe scenario, could result in the Bank's authorisation being revoked and/or restrictions on the Bank's ability to write new business.

Leverage-based requirements: The UK leverage ratio framework sits in parallel with the risk-weighted capital requirements. The calculation determines a ratio based on the relationship between Tier 1 capital and total (i.e. non-risk-weighted) exposures, including off-balance sheet items. The leverage ratio does not distinguish between unsecured and secured loans, nor does it recognise the ratio of LTV (loan to value) of secured lending. The UK minimum leverage ratio is currently set at 3.25 per cent. of total exposures (excluding central bank reserve exposures) and applies to banks with retail deposits of at least £50 billion. At least three-quarters of the leverage ratio requirement must be met with CET1 capital and up to one-quarter may be met with Additional Tier 1 capital. In addition, the UK leverage ratio framework includes two additional buffers that are to be met using CET1 capital only: an Additional Leverage Ratio Buffer ("**ALRB**"), applying to the largest UK banks and set at 35 per cent. of the corresponding risk-weighted systemic buffer rate, and a macro-prudential Countercyclical Leverage Buffer ("**CCLB**"), which is set at 35 per cent. of the corresponding risk-weighted countercyclical buffer (and rounded to the nearest 0.1 per cent., with 0.05 per cent. being rounded up).

As at the date of this Prospectus, the Bank and the Group do not have a binding leverage ratio requirement, as the Bank has retail deposits below £50 billion. However, the Bank and the Group are subject to a supervisory expectation that they will maintain a minimum 3.25 per cent. leverage ratio as calculated under the UK leverage ratio framework. Accordingly, the Bank and the Group monitor and report their leverage ratio on this basis, and as at 30 June 2024, the Bank's (and the Group's) UK leverage ratio as calculated using the PRA definition was 4.1 per cent. (31 December 2023: 4.1 per cent.). Any non-compliance with this leverage ratio expectation may have an adverse effect on the Bank's businesses, operating results, financial condition and prospects.

RWA floors and Internal Ratings Based (IRB) modelling

The Basel 3.1 standards published in 2017 include changes to the standardised approaches for credit and operational risks and the introduction of a new RWA output floor. The rules were originally subject to a stated transitional period from 2022 to 2027, although implementation is now expected to occur over the period from 2025 to 2030.

In addition, the PRA has published a number of consultation and policy papers relating to the calculation of risk-weights in recent years. These have provided for, amongst other things: aligning firms' IRB modelling approaches for residential mortgage risk-weighted assets; a number of modifications to the IRB modelling methodologies for residential mortgages; and the introduction of an exposure weighted average risk weight of at least 10 per cent. for all UK residential mortgage exposures to which a firm applied an IRB approach (excluding mortgage exposures classified as in default).

On a transitional basis, the impact of these changes on the Bank is expected to be minimal. However, the end-point arrangements (currently expected in 2030) are expected to have a material impact on the Bank's CET1 ratio. As at 30 June 2024, the Bank estimates that the fully loaded impact of Basel 3.1 will reduce its CET1 ratio by 3.5 per cent. (end-state 1 January 2030).

The Bank has a large number of IRB models. There is a risk that the PRA's review of the models, failures in the use of the IRB models generally, or failures in the application of the standardised approach to capital calculation, may result in changes to the Group's and the Bank's regulatory capital position or erroneous regulatory capital being calculated.

MREL and resolution strategy

The Group is also subject to MREL requirements designed to support its preferred resolution strategy. The preferred resolution strategy for the Group has been set by the Bank of England as "bail-in", through a single point of entry (the Issuer). 'Bail-in' would be expected to result in the write down or conversion of all or a large part of the Group's own funds and eligible liabilities (and could in addition result in the write down or conversion of other, more senior-ranking liabilities of the Issuer), although the actual approach taken, should the Group require resolution, will depend on the circumstances at the time of a failure, and all available options would be considered by the Bank of England.

In accordance with the 'bail-in' resolution strategy, the Bank and the Group must maintain MREL resources comprising own funds and 'eligible liabilities' which are available to be bailed-in (i.e. written down or converted to equity) in a financial stress scenario. The MREL requirements are calculated as a percentage of total liabilities and own funds and set by the resolution authority (the Bank of England), and are intended to comprise both a 'loss absorption' component (designed to absorb the losses in the Group) and a 'recapitalisation' component (designed to replenish the capital base of the Group after it has been eroded through loss absorption).

The MREL requirement of the Bank and the Group is defined as the higher of (i) two times the Bank's total capital requirement or (ii) (only if the Bank is then subject to a binding leverage ratio requirement, which it presently is not) two times the Bank's leverage ratio.

Any failure by the Bank or the Group to meet their MREL requirements in full, as well as potential enforcement action or other regulatory intervention by the PRA as a result, may also have an adverse effect on their reputation as well as on their businesses, operating results, financial condition and prospects.

Regulatory intervention could, for example, include increasing the capital or other prudential requirements of the Bank and the Group, increased regulatory attention, restriction of distributions, a variation of the Bank's permissions, restricting the Bank's business or, imposing a write down or conversion of the Bank's and/or Issuer's regulatory capital instruments (see "*The UK Banking Act 2009 confers substantial powers*

on the UK resolution authorities, designed to enable them to take a range of actions in relation to UK deposit-taking institutions (and their groups) which are considered to be at risk of failing. The exercise of any of these actions in relation to the Issuer, the Group, the Bank or the Notes could materially adversely affect the value of the Notes and/or the rights of Noteholders") and, potentially, the commencement of a wider resolution procedure in respect of the Bank and Issuer, particularly if it were satisfied that the Bank and Issuer is failing, or is likely to fail.

Furthermore, there is a risk that the Bank's regulatory capital and MREL requirements and guidance, or the PRA's expectations and approach with respect to regulatory capital and MREL requirements, may increase beyond those currently planned for by the Bank and the Issuer, including as a result of the implementation of changes in risk-weight calculations, which could have a material adverse effect on the Group's profitability.

Mortgage lending

The Bank's business includes providing residential mortgages in the UK. As such, the Bank is susceptible to changes in UK mortgage rules and regulation which could impact its ability to retain current mortgage customers and/or attract new mortgage customers.

The FCA has focused closely in recent years on the UK mortgage market, with a view to improving customer choice and the ability of customers to switch mortgage providers, including removing regulatory barriers to changing mortgages for "mortgage prisoners" (defined by the FCA to mean mortgage customers who would benefit from changing their mortgage product (either with their existing lender or with a new lender) but are unable to do so despite being up to date with their current mortgage payments). These reforms could lead to an increase in redemptions of mortgages sooner than anticipated, thereby reducing the interest payable on those loans.

The FCA has in recent years also introduced rules on mortgage advice and selling standards which are aimed at giving consumers more choice in how they buy a mortgage and also to provide more borrower protections (including for those in financial difficulty). Failure to comply with these requirements could result in regulatory intervention, and could have a material adverse effect on the business, financial condition and results of operations of the Group, as well as its reputation.

It is possible that further changes may be made to the FCA's requirements for mortgage lending as a result of current and future reviews, studies, consumer duty compliance and regulatory reforms which could have a material adverse effect on the Bank's business, finances or operations. Any failure to comply with these rules may entitle a borrower to claim damages for loss suffered or set-off the amount of the claim against monies owing under a regulated mortgage contract and the new rules may also negatively affect mortgage supply and demand. See also *"Mortgages are subject to certain legal and regulatory risks"* below.

The Bank is under regulatory scrutiny and expects that environment to continue

As a financial services firm, the Bank is subject to extensive and comprehensive regulation under the laws of the jurisdictions in which it does business. These laws and regulations significantly affect the way that the Bank does business, and can restrict the scope of its existing businesses and limit its ability to expand its product offerings, or can make its products and services more expensive for clients and customers. There has also been an increased focus on regulation and procedures for the protection of customers and clients of financial services firms. This has resulted in an increased willingness on the part of regulators to investigate past practices of financial services firms both on an industry-wide basis and on particular firms individually.

The Bank is exposed to many forms of legal and regulatory risks, including that:

(i) business may not be, or may not have been, conducted in accordance with applicable laws, rules or regulations. Financial and other penalties may result as well as liabilities to customers by way of redress for prior breaches;

(ii) contractual obligations may not operate or be enforceable as intended or may be enforced in a way that has adverse consequences for the Bank;

(iii) the Bank's assets such as intellectual property may not be adequately protected and the Bank may use intellectual property which infringes, or is alleged to infringe, the rights of third parties; and

(iv) litigation by or against the Bank is not appropriately managed to protect the Bank's reputation and achieve the best outcome and that liability for damages may be incurred to third parties harmed by the conduct of the Bank's business.

The outcomes of any potential or future legal, regulatory or other enquiries, investigations or proceedings are difficult to predict, but regardless of their ultimate outcome, they may involve the Bank incurring significant expense. Consequently, the Bank could be exposed to: substantial monetary damages and fines, other penalties and injunctive relief; potential additional civil or private litigation; potential criminal prosecution in certain circumstances; potential regulatory restrictions on the Bank's business; greater scrutiny and/or investigation from regulators and/or regulatory or legislative actions; and/or a negative effect on the Bank's reputation and its brand and its ability to recruit and retain personnel and customers. Any of these risks, should they materialise, could have an adverse impact on the Bank's business, operating results, financial condition and prospects, its regulatory capital position or its ability to comply with regulatory capital requirements, as well as taking up a significant amount of management time and resources.

Any adverse findings of these investigations may, therefore, reduce, directly or indirectly, the attractiveness of the Bank to stakeholders and may lead to customer attrition, reduced workforce morale and difficulties in recruiting and retaining talent. Sustained damage arising from any adverse findings could, therefore, lead to a loss of revenue for the Bank and could have a materially negative impact on the Bank's business, operating results, financial condition and prospects.

See the risk factors entitled "*Reputational Risk could cause harm to the Bank, its business, operating results, financial condition and prospects and question the Bank's commitment to co-operative values and ethics*", "*The Bank is currently involved in litigation and may in the future become involved in further litigation. The outcome of any legal proceedings is difficult to predict*", and "*The Bank is exposed to a number of conduct risks*" and the section beginning *"A failure to successfully implement, or a delay in implementing, the Bank's strategy (including issuing own funds instruments and other MREL-qualifying debt) may adversely impact the Bank's business, operating results, financial condition and prospects, its regulatory capital position and its ability to comply with its regulatory capital requirements*" for further information.

Legal and regulatory risk arising from the UK's exit from the European Union could adversely impact the Group's business, operations, financial condition and prospects

The continuing effects of the UK's exit from the EU are difficult to predict and there remains both short-term and long-term political and economic uncertainty around the departure that may have a negative impact on the UK economy, affecting its growth.

Certain legislative and regulatory changes (including those referred to in *"Legal and Regulatory Risks – Changes of law"* below) have been made or proposed which could materially adversely affect the Bank's business, results, financial condition or prospects. Following the UK's departure from the EU and the end of the Brexit transition period at the end of 2020, the extent to which the UK may elect to implement or mirror future changes in the EU regulatory regime, or to diverge from the current EU-influenced regime over time, remains to be seen, although it appears likely that the UK regulatory position will diverge to a material extent from that of the EU in the medium term. To the extent that the UK and EU trading relationship is premised on or influenced by the level of equivalence or convergence, or where initiatives are jointly designed on the basis of co-operation and shared outcomes, the EU regulatory regime may continue to have a significant

effect on the regime which the UK government and regulators elect to implement. It is difficult to predict the full effect that any such effect of the EU regimes or any divergence between EU and UK regimes may have on the Group and its operations, business and prospects but they may have an impact on the Bank's operations, structure, costs and/or capital requirements and therefore on the ability of the Issuer to meet its obligations under the Notes.

Risks relating to the Bank's operations

The Bank faces competition in all of the core markets in which it operates. There is a risk that the Bank may lose market share to its competition and this could have a material adverse effect on the Bank's business, operating results, financial condition and prospects.

Competition in the UK personal financial services market may adversely affect the Bank's operations. The Bank competes mainly with other providers of personal financial services, including other banks, building societies, insurance companies and, increasingly, new "Fintech" entrants to the market, and operates in an increasingly competitive UK personal financial services market. Each of the main personal financial services markets in which the Bank operates is mature and slow-growing, such that growth requires taking market share from competitors. This places elevated focus on price and service as the key differentiators, each of which carries a cost to the provider. The quality of the Bank's products and systems, including distribution and IT, in turn impact price and service. If the Bank is unable to match its competitors in these respects it risks losing customers to its competitors, which may adversely affect its business and prospects and consequently its ability to meet its Plan.

The Bank's heavy reliance on mortgage revenues and being able to fund growth in the most cost efficient manner to drive income may increase its susceptibility to competitive risks. Competition could result in the Bank losing existing and potential new customers and, therefore, not preserving or growing its market share as assumed in the Plan in a number of situations, for example where:

(i) the Bank is unable to match its competitors, for example, in the pricing, quality or scope of its product offering and customer service and the provision of additional services such as mobile banking, and in keeping up with consumer demand, regulatory and technological changes;

(ii) competition for the highest quality mortgages is intense, putting downward pressure on returns available for the lowest risk-weighted mortgage assets;

(iii) there is a risk of competition from new bank competitors (including, increasingly, new "Fintech" entrants), which could, for example, offer more innovative and more customer- or user- experience focused services;

(iv) operational incidents stimulate potential or actual customer movement to competitors; and

(v) any failure to attract new, or retain existing, customers or to maintain the Bank's market share may result in the loss of the Bank's customer asset and liabilities balance to its competitors, which may in turn impact the Bank's ability to deliver its strategy. See the risk factor entitled *"Reputational risk could cause harm to the Bank, its business, operating results, financial condition and prospects and question the Bank's commitment to co-operative values and ethics"* for further information.

The occurrence of any of the above situations could materially adversely affect the Bank's business, operating results, financial condition and prospects.

Rating downgrades and/or negative market sentiment with respect to the Bank, the sector and/or the UK may have an adverse effect on the Bank's performance

The Issuer is currently rated Ba2 (unsecured and ratings on review for upgrade) and P-3 (short-term) by Moody's.

The Bank is currently rated:

(i) "BB+" (long-term and ratings watch stable) and "B" (short-term) by Fitch Ratings Limited "Fitch"); and

(i) "Baa3" (long-term bank deposit rating, positive outlook) and "P-3" (short-term) by Moody's.

Credit rating downgrades adversely affect the Issuer and/or the Bank's funding profile and the cost of raising new funding. The impact on access to funding and increased cost of funding may, over the long-term have an adverse effect on the Bank's business, operating results, financial condition and prospects and/or adversely affect the Bank's ability to deliver the Plan.

Furthermore, any downgrade of the UK sovereign credit rating or the perception that such a downgrade may occur, could depress consumer confidence (which could result in withdrawals of customer deposits), restrict the availability, and increase the cost, of funding for the Bank and/or its customers, further depress economic activity or inhibit any recovery, increase unemployment and reduce asset prices, destabilise the markets, impact the Issuer and/or the Bank's individual ratings and borrowing costs and have a material adverse effect on the Bank's operating results and financial condition.

There is also a risk that the implementation of the Plan or other actions taken by the Bank may not improve the Issuer and/or the Bank's credit rating. See further *"A failure to successfully implement, or a delay in implementing, the Bank's strategy may adversely impact the Bank's business, operating results, financial condition and prospects, its regulatory capital position and its future ability to comply with its regulatory capital requirements"*. Further negative change in sentiment to the Bank as a result of adverse publicity, market or other conditions could result in the Bank's credit rating remaining below investment grade and/or being reduced further, which may impact the ability of the Bank and the Issuer to raise additional funding, capital, when needed, on acceptable terms, or at all. Any future declines in those aspects of the Issuer and/or the Bank identified by a rating agency as significant business or a failure by the Bank to achieve its strategic objectives could also adversely affect that rating agency's perception of the Issuer and/or the Bank's credit and cause them to take negative ratings actions.

The Bank's operations are highly dependent on the proper functioning of IT and communication systems, and are susceptible to financial crime

The Bank relies extensively on IT and communication systems to conduct its business, including the pricing and sale of its products, payment processing, data collection and management, assessing acceptable levels of risk exposure, setting required levels of provisions and capital, and maintaining customer service, accurate records and security. The Bank relies on key providers of infrastructure for its core banking services. In addition, there is a risk that third-party providers could fail to supply services, IT, software, data or other assets that they have agreed to provide, either adequately, at all or at a higher cost than expected. If third-party providers fail to provide or procure the services that they have contracted to provide, or to provide them in a timely manner or to agreed levels, or the arrangements with those providers are terminated for whatever reason, such a failure or termination could have a material adverse effect on the Bank's ability to conduct its business, operating results, financial condition and prospects.

A number of the Bank's services are dependent on extended support arrangements, end of life, obsolete or out-of-support technologies (both in terms of hardware and software). As a result these components no longer receive regular updates (both functional and security related), and/or vendor support. This increases the likelihood of extended periods of service outage, caused by technology faults, introduction of change, failure of aging systems/components or exploitation of known security vulnerabilities.

The Bank demonstrated its critical services disaster recovery capability during the implementation of the separation from Co-operative Group in 2016 and 2017 when services were moved from the Co-operative Group data centres to the IBM data centre at Warwick, which included the setting up of disaster recovery capability in a separate data centre in Birmingham. The Bank has also regularly demonstrated its ability to successfully failover (switch to standby systems) and recover its digital (online and mobile) services. Payment scheme compliance is also adhered to by running various aspects of the Bank's payment services from its disaster recovery and business continuity sites. The Bank's industry standard acceptance criteria for all new projects that become live includes testing the disaster recovery capability. Due to the disruptive

nature of a disaster recovery event, it is not possible to prove a full data centre recovery, however, the Bank continues to test its critical business services via scheduled component service testing.

Operations are highly dependent on the proper functioning of IT and communication systems which comprise a complex array of legacy systems and some newer in-house and third party IT systems. Any delays in, or failure by the Bank to deliver the remediation of the IT estate in line with the requirements of the strategy may extend an on-going risk of technology failure or compromise, result in significant additional investment costs, subject the Bank to further regulatory scrutiny which may result in the PRA and/or the FCA taking action in relation to any future breaches of threshold conditions and impact the Bank's ability to deliver its business strategy, which may, in turn, adversely affect the future operational and financial performance of the Bank's business.

The Bank and its customers are exposed to risks and potential loss associated with cyber-crime and fraud

As with other financial institutions, reflecting the increased use of technology in financial services, the Bank and its customers are at risk of actual or attempted cyber-attacks from parties with criminal or malicious intent, including attacks designed to overload the Bank's systems. These risks are accentuated as the Bank increasingly digitalises its products, services, key functions and distribution channels and as cyber-attacks become more sophisticated and prevalent. The Bank is subject to the risk that any cyber-attack may result in temporary loss of operational availability of the Bank's systems to its employees and/or customers which could have a material adverse effect on the Bank's business, financial condition, operating results and prospects.

There is a risk that the Bank may not continue to invest sufficiently in its information security controls in response to emerging threats, such as cyber-crime and fraud, and to seek to ensure that controls for known threats remain robust. The risks associated with cyber-attacks, where an individual or group seeks to exploit vulnerabilities in IT systems for financial gain or to disrupt services, are a material risk to the Bank and the UK financial system, which has a high degree of interconnectedness between market participants, centralised market infrastructure and in some cases complex legacy IT systems. There is a known vulnerability to cyber-attacks inherent in older technologies, especially with older operating systems. The Bank has some exposure to such systems. There is a risk that the Bank's infrastructure and controls may be seen to be ineffective or have material weaknesses or significant deficiencies and any failure of the controls to anticipate, prevent or mitigate a network failure or disruption could entail a temporary loss of operational availability to employees and/or customers and could result in significant financial losses and have a material adverse effect on the Bank's operational performance and reputation.

Furthermore, any breach in security of the Bank's systems, for example from increasingly sophisticated attacks by cybercrime groups or fraudulent activity in connection with customer accounts, could disrupt its business, result in the disclosure of confidential information, create significant financial and/or legal exposure and damage the Bank's reputation and/or brand.

Additionally, the Bank and its customers are exposed to growing increased levels of card, account, identity and other frauds, some of which are becoming more sophisticated, organised and technology-led. This growth in sophisticated fraud increases the risk to which the Bank is exposed including due to the need (in certain circumstances) to reimburse its customers for resultant losses. These losses can arise notwithstanding the Bank's investment in systems-based preventative measures to reduce such fraud. Even with greater investment, it may not be possible to materially reduce such losses, but such investment will increase the Bank's costs.

There is an enhanced level of focus by the UK Government, regulatory bodies, law enforcement and consumer protection groups in respect of bank-related fraud and the impact upon customers. In particular, there is particular focus on "Authorised Push Payment" fraud and incoming changes to regulation with the introduction of the PSR Mandatory Reimbursement Policy (expected in 2024). This could result in a rise in the level of fraud of this type for which the Bank, as opposed to its customers, is held liable (liability for reimbursement will be split between equally between sending and receiving firms) thereby increasing the Bank's losses.

Any of these fraudulent or cyber-crime activities may be difficult to prevent or detect, and the Bank's internal policies designed to mitigate these risks may prove to be inadequate or ineffective. The Bank may not be able to recover the losses caused by these activities or events, and it could suffer reputational harm as a result, which could have a material adverse effect on the Bank's business, financial condition, operating results or prospects.

Failure to adequately maintain and protect customer and employee information could have a material adverse effect on the Bank

The Bank is exposed to the risk that the personal data processed for its purposes could be accessed and/or used without authorisation, whether by employees or other third parties, or otherwise lost or disclosed in breach of data protection laws. If the Bank or any of the third-party service providers on which it relies fail to process such personal data in a secure manner or if any such theft or loss of personal data were otherwise to occur, the Bank could face action under data protection laws. This could also result in damage to the Bank's brands and reputation, as well as the loss of new or repeat business, any of which could have a material adverse effect on the Bank's business, operating results, financial condition and/or prospects.

Risks relating to the outsourcing of IT infrastructure, functions and business services to third party providers

There is a risk that contracts with third-party providers on which the Bank relies may be or may have been negotiated and/or managed inadequately. The Bank has a large number of material third party relationships which underpin the Bank's IT infrastructure, critical functions and important business services.

If third-party staff do not act in accordance with established controls and procedures, there is a risk personal data could be accessed and/or used without authorisation, or otherwise lost or disclosed in breach of data protection laws.

Furthermore, if the services provided by such third parties or outsourcing partners were to: (i) prove to be insufficient or inadequate; (ii) be compromised by computer viruses, attempts at unauthorised access or cyber-security attacks; or (iii) result in financial losses, or if such services ceased to be provided for any reason, or issues were to arise that would prevent or significantly delay the effective transfer or operation of the Bank's systems, processes and services, this could have a material adverse effect on the Bank's business, results of operations and financial position. There is also a risk that the performance by the Bank of any regulatory obligations, to the extent they rely on outsourced arrangements, may be negatively affected following, without limitation: (i) the failure of, or a significant degradation in service received from, such third parties or outsourcing partners; or (ii) any compromise by computer viruses, attempts at unauthorised access or cyber-security attacks on the systems of such third parties or outsourcing partners. The Bank is also susceptible to risks associated with the potential financial instability of such third parties or outsourcing partners.

The Bank will rely on the Co-operative brand

The Bank is dependent on the strength of the "Co-operative Bank" brand (which it owns), the wider "Co-operative" brand (as used by Co-operative Group and other co-operative societies) and its reputation with customers and potential customers of the Bank. Whilst the Bank seeks to manage material risks to the Co-operative Bank brand through careful monitoring, ultimately the Bank is exposed to the risk that Co-operative Group or another co-operative acts, fails to act or is speculated to act in a way such as to bring the Co-operative Bank brand into disrepute. This could include litigation, employee misconduct or the misconduct (including criminal activity) of anyone associated with the Co-operative brand (whether through Co-operative Group, the Bank or otherwise), operational failures, accidents, the outcome of regulatory investigations, press speculation and negative publicity, disclosure of confidential customer information, inadequate products and services, amongst other factors, and could negatively impact the Co-operative brand or Co-operative Group's reputation. For example, adverse findings about Co-operative Group arising out of investigations into past actions could adversely affect the Co-operative brand. Should, as a result of matters relating to Co-operative Group, the Bank's brand, levels of customer satisfaction or the co-operative movement more generally be damaged, this could have a negative effect on the Bank's business, operating

results, financial condition and prospects and negatively impact the ability of the Bank to achieve its stated strategy. See the risk factor entitled *"Reputational risk could cause harm to the Bank, its business, operating results, financial condition and prospects and question the Bank's commitment to co-operative values and ethics"* for further information.

Other risks associated with the Co-operative brand include:

(i) *Co-operative status and name* (*including trademark and membership issues*) – the Bank's participation in Co-operative Group membership scheme ended in 2018 and the Bank may face challenges on the use of the term "co-operative". This could result in a loss of support from Co-operatives UK Limited for the Bank's continued use of the term "co-operative". Co-operative Group has objected to the Bank's application to register "the Co-op Bank" and "Co-op Bank" as trademarks.

(ii) *Co-operative Group launching its own financial services competitor* - the risk that Co-operative Group or another co-operative may build a brand in financial services. This creates risk to the Bank's ability to retain its brand territory and risk that Co-operative Group may eventually challenge the Bank's ability to use "co-operative" in its name as described above.

Reputational risk could cause harm to the Bank, its business, operating results, financial condition and prospects and question the Bank's commitment to co-operative values and ethics

The Bank's reputation is one of its most important assets. Its ability to attract and retain customers and deposits and to conduct business with its counterparties could be adversely affected to the extent that its reputation or its brand is damaged. The act of addressing or failing to address, or appearing to fail to address, issues that could give rise to reputational risk is likely to cause harm to the Bank and its business prospects. The Bank's reputation could be impacted by both known issues and issues not yet identified (some of which could only have an ancillary connection to the Bank). For example, litigation, or the misconduct of employees or other persons (including criminal activity) at any time associated with the Co-operative brand or the "Co-operative Bank" brand, operational failures, accidents, the outcome of regulatory investigations, media speculation and negative publicity, breaches of data protection or other laws, any failure or compromise of the Group's IT systems, products considered to be inappropriate and sub-standard customer service, among other factors, could impact the Bank's reputation. Reputational damage could arise from, without limitation, any of the following (along with media speculation regarding the same where relevant):

(i) the reputational damage arising from downgrades to the Bank's credit ratings and the implementation of the Bank's strategy;

(ii) a requirement to raise further capital in the future, which could affect, or be perceived to affect, confidence in the Bank;

(iii) a failure to implement and execute the Bank's strategy and the Plan in whole or in part;

(iv) breaching or facing allegations of having breached legal and regulatory requirements, including those relating to Anti Money Laundering ("**AML**"), sanctions, anti-bribery and corruption requirements and a subsequent enforcement action or regulatory investigation (for further information, see the risk factor entitled *"Anti-money laundering, anti-bribery, sanctions and other compliance risks"*);

(v) acting or facing allegations of having acted unethically (including having adopted inappropriate sales and trading practices);

(vi) material or major failure of or inability to promptly recover key services, IT capability, or other infrastructure, particularly where this disrupts the Bank's ability to service customer transactions for a prolonged period; and

(vii) a perception that the Bank is failing to meet its environmental, social and governance ("**ESG**") targets, or is perceived to be making less or slower progress compared with its competitors.

A failure to address these or any other relevant issues appropriately could make significant numbers of customers, depositors and investors unwilling to do business with the Bank. For example, if negative newsflow continued for a significant period of time, there is the risk that the Bank would lose a material number of customers and liability/asset balances to competitors. This could materially adversely affect the Bank's business, operating results, financial condition and prospects and could damage its relationships with its regulators. The Bank cannot ensure that it will be successful in avoiding damage to its business from reputational risk.

The Bank is exposed to a number of conduct risks

The Bank is exposed to many forms of conduct-related risk. Conduct risk is the risk that the Bank's behaviours, products or services result in poor outcomes or harm for customers. In recent years, the Bank has undertaken redress and remediation activity in relation to the mis-selling of PPI and packaged bank accounts, breaches of the Consumer Credit Act, mortgage interest rate calculations and mortgage arrears charges. The provisioned liability in relation to these issues has reduced significantly relative to historical levels.

However, there is a risk of exposure to significant new conduct or legal risks, including by discovering significant risk issues from legacy systems and controls or from regulatory changes imposed on banks generally. There is a risk that the cost of redress, remediation and project costs may be higher than current provisions and those expected over the life of the Plan. Inherent risks remain relating to the mis-selling of financial products, acting in breach of regulatory principles or requirements and giving negligent advice or other conduct determined by the regulators to be inappropriate, unfair or noncompliant with applicable law or regulations. Any failure to manage these risks adequately could lead to further provisions, costs and liabilities and/or reputational damage. In particular, the Bank is subject to risks arising from challenges to both current and historic interest rates charged by the Group. A number of issues have been the subject of consideration by the Financial Ombudsman Service ("**FOS**"). The Group recognised a provision of £28.9 million in 2023 in respect of refunding certain mortgage interest charges. However, as at the date of this Prospectus the Bank does not consider that any further financial impact on the Group resulting directly from conduct-related risk would be material. As part of its strategy to identify and resolve outstanding liability issues, the Bank has a structured risk based product review process, which may result in the discovery of further conduct-related issues. It is recognised that, whilst progress has been made in identifying conduct issues, no assurance can be given that further issues or breaches will not be identified.

In July 2022, the FCA published final rules on the introduction of a new consumer duty on regulated firms (the "**Consumer Duty**"), which aim to set a higher level of consumer protection in retail financial markets. In particular, the Consumer Duty has introduced:

- a new 'Consumer Principle' that requires firms to act to deliver good outcomes for retail customers;
- cross-cutting rules requiring firms to act in good faith, avoid causing foreseeable harm, and enable and support customers to pursue their financial objectives; and
- four outcomes requiring firms to ensure consumers receive communications they can understand, products and services that meet their needs and offer fair value, and the support they need.

The Consumer Duty applies to all products and services and so will impact all areas of the Bank's business. The Bank has set out a programme of activities to strengthen and enhance its product and services, its governance and its underpinning culture, to ensure it is comprehensively aligned to the new regulations. As the Bank completes its assessment and implementation activities in respect of the introduction of the Consumer Duty, there is a risk that the Bank may be exposed to significant new conduct risks, for example as a result of discovering significant new risk issues which result in cost of redress or remediation that may be higher than current provisions expected over the life of the Plan.

Where regulatory rules are applied retrospectively or in a manner that is not anticipated by the Bank or the market, the Bank may not be able to appropriately manage conduct and other regulatory risks, which could

lead to significant liabilities or reputational damage, reduce (directly or indirectly) the attractiveness of the Bank to stakeholders, including customers, and may lead to negative publicity, loss of revenue, litigation, higher scrutiny and/or intervention from regulators, regulatory or legislative action, loss of existing or potential client business, reduced workforce morale and difficulties in recruiting and retaining talent. Sustained damage arising from conduct and reputation risks could have a materially negative impact on the Bank's business, operating results, financial condition and prospects, its regulatory capital position, its ability to comply with regulatory capital requirements and customer relations.

The Bank's policies and processes for risk management may prove inadequate for the risks faced by its business. Any failure to properly manage the risks which it faces could cause harm to the Bank and its business prospects

Managing Risks. The Bank's embedded risk-management framework ("**RMF**") may lead to the identification of further risks and control failings which could potentially impact the business, operating results, financial condition and prospects of the Bank. The Bank's RMF divides its "business as usual" risks into areas such as credit risk, liquidity risk, market risk and operational risk:

Credit Risk. Credit risk is an inherent part of the business activities of the Bank (and all other banks). It is inherent in both traditional banking products (loans, mortgages and other credit products) and in "traded products" (derivative contracts such as forwards, swaps and options), repurchase agreements, securities borrowing and lending transactions. The risks arising from the general economic environment continue as a result of the prolonged period of significant turbulence and uncertainty affecting the global economy, financial systems and continued economic malaise. The Bank continues to be exposed to these risks and their consequences, including lower consumer confidence, high levels of unemployment, interest rate volatility and the increased cost of credit, which may result in increased credit risk and could have a material adverse effect on the Bank's business, operating results, financial condition and prospects.

Liquidity Risk. The Bank faces liquidity risk, particularly if the availability of traditional sources of funding such as retail deposits becomes limited and/or more expensive whether as a result of regulatory action (such as the FCA's plan, announced on 31 July 2023 and intended to ensure banks and building societies pass on interest rate rises to customers appropriately) or otherwise. Liquidity risk is the risk that an institution may not have sufficient funds at any point in time to make full payment in respect of liabilities falling due, or can only do so at excessive cost. This may result in an inability to operate in the ordinary course of business and/or a failure to meet liquidity or regulatory capital requirements, and/or may adversely impact the Issuer and/or the Bank's business and/or the implementation of its strategy. The Bank raises the majority of its funding through accepting retail and commercial deposits. Whilst the Bank undertakes strategic transactions, or during times of continued adverse press attention and speculation, the Issuer and/or the Bank's liquidity risk may significantly increase as a result of the difficulty in accurately modelling expected customer behaviour in these circumstances. The Bank seeks to manage its liquidity risk through stress and sensitivity testing on a daily basis and monitors its liquidity position against internally-defined stress scenarios. However, there can be no guarantee that such liquidity risk management will ensure adequate liquidity resources are maintained by the Bank. Adverse and unexpected customer behaviour that the Bank is unable to manage could result in the withdrawal of material amounts of customer deposits which would adversely impact the Issuer and/or the Bank's liquidity position which in turn could adversely affect the Bank's and the Group's business, profitability and ability to meet liabilities as they fall due.

Market Risk. The Bank risks losses arising as a result of the value of financial assets or liabilities (including off-balance sheet instruments) being adversely affected by movements in market rates or prices. The Bank's Treasury function manages and creates market risk through its portfolio management activities and hedging programmes. Changes in currency rates affect the value of assets and liabilities denominated in foreign currencies and may affect income from assets and liabilities denominated in foreign currency. The Bank also faces risks arising out of changes in interest rate levels, yield curves and spreads, which may affect the Bank's interest rate margin realised between lending and borrowing costs. The Bank seeks to minimise the volatility of future earnings from interest rate changes and all fixed interest rate risk exposure is removed from business and consolidated centrally where it is managed within agreed limits. See the risk factor entitled *"The Bank's earnings and net interest margins may be adversely affected by a number of factors"* for further information.

Model Risk. The Bank uses models which are mathematical representations of business systems designed to help describe, predict, experiment with or optimise decisions and scenarios and are used throughout the Bank's business. There is a risk that adverse outcomes might occur as a result of weaknesses or failures in the design or use of a model. New requirements for Model Risk Management were introduced as part of the PRA supervisory statement SS 1/23 from May 2024 and while these have been implemented by the Bank, there is a risk of additional regulatory scrutiny in respect of Model Risk Management.

Operational Risk. Operational risk levels are elevated due to factors including, but not limited to, a number of specific issues such as reliance on manual controls for key processes (such as payments) and legacy IT systems (Technical Debt) that may cause business disruption and concerns from the evolving external cyber threats. In each case, programmes of work are in place to seek to remediate; however, there can be no assurance that such programmes will fully or adequately protect the Group against such cyber threats. Systems of control have been historically weak, however, since 2018 significant progress has been made to meet regulatory expectations of the overall effectiveness and embeddedness of the RMF. The Group's focus throughout 2023 was, and throughout 2024 will continue to be, to seek to ensure robust risk and control activities remain an integral part of the business as usual activities while looking to simplify and ensure focus on material aspects of risk management. There is an awareness of the RMF with an improvement shown in key RMF metrics, supported by the following activity: (a) deeper understanding of the RMF through collegiate working across all three lines of defence and simplification to assist the first line of defence by focusing resources appropriately; (b) ensuring that significant risks (such as Technical Debt) are accurately reflected in the RMF to understand their impacts against risk appetite and the operational risk profile; and (c) implementing and embedding new regulatory requirements, for example, operational resilience and third party supplier management for material and outsourced services within the RMF. Third party management and service outsourcing is a key area for risk focus. The risk of a supplier not being able to provide the service they are contracted to could lead to significant disruption to services and functions, reputational damage and possible regulatory scrutiny, all of which may adversely affect the business, operating results and financial condition of the Group. The work on operational resilience and the introduction of this as a thematic principal risk is designed to support the mitigation of this risk; however, there can be no assurance that these initiatives can fully or adequately protect the Group against this risk.

Climate change and ESG risks. The physical and transition risks of climate change are becoming ever more apparent and have the potential to pose a significant threat to the Bank without a coordinated and timely response. Climate change, and businesses' response to the emerging threats posed by it, are under increasing scrutiny by governments, regulators and the public alike. These include physical risks resulting from changing climate and weather patterns and extreme weather-related events, as well as transition risks resulting from the process of adjustment towards a lower carbon economy. Governments and regulators may introduce increasingly stringent rules and policies designed to achieve targeted outcomes, which could increase compliance costs for the Group, drive asset impairments and result in regulatory fines or other action if the Group is unable to implement adequate reforms sufficiently quickly. How the Group assesses and responds to these developments and challenges could increase its costs of business, and a failure to identify and adapt its business to meet new rules or evolving expectations, or any perception that it is under-performing relative to its peers, could result in reputational damage and/or the risk of legal claims.

Transition plans. The UK has launched a Transition Plan Taskforce ("**TPT**") to develop a gold standard for climate transition plans. One of the drivers is a concern about greenwashing. An increasing number of firms and other businesses are making public commitments to reach net zero. However, existing transition plans vary in detail, quality and credibility. The TPT has published draft recommendations so far, suggesting 19 sub-elements within five elements (foundations, implementation strategy, engagement strategy, metrics and targets, and governance). Disclosure recommendations are included for each sub-element. There is also draft implementation guidance, and a recommendation on disclosure: a standalone transition plan should be published at least each three years, or sooner if there are significant changes. Progress should be reported annually in general financial reporting. The TPT published the finalised framework in October 2023, and is now expected to begin work on detailed sector guidance. Given the importance of transition plans and net zero commitments (both commercially and otherwise), it is likely that, over time, there will be increased pressure for banks, and financial services firms generally, to publish robust transition plans, and for these to align with the TPT framework. These plans are likely to come under scrutiny by investors, and may require significant internal resource to prepare and maintain.

ESG ratings. ESG ratings are becoming increasingly important in the market and to investors. However, concerns exist, such as to conflicts, transparency and a lack of comparability between the ESG ratings provided by one firm versus another. There may also be concerns as to data gaps and how/what assumptions are made. In the first half of 2023, the UK government consulted on a proposal to require ESG ratings providers to be subject to authorisation in the UK going forward, and in December 2023, the International Capital Market Association (ICMA) and the International Regulatory Strategy Group (IRSG) launched a voluntary code of conduct for ESG ratings providers in December 2023. The UK government is working with the FCA as it considers its next steps in this area. The UK government has stated that these services are increasingly a component of investment decisions, and it wants to ensure improved transparency and good market standards. Industry work is also underway on a code of conduct. These initiatives may have significant knock-on impacts for banks, given the increased commercial pressure from investors and the market for ESG data and for issuers, banks and/or financial instruments to be the subject of ESG ratings or scores. Among other things, this enables investors and the market to assess how ESG friendly a financial instrument and/or issuer may be. It may also assist investors in incorporating ESG risk into their investment decision making process, which is an increasingly trend and the preferred approach from a regulatory perspective.

Greenwashing risks and issues. The term 'greenwashing' is used to describe public claims or statements that give a false impression about the environmental credentials of a business (known as entity-level greenwashing) or a particular product or service (known as product-level greenwashing). Greenwashing is a concern for various reasons, including that regulators may be concerned as to investor protection and market integrity. The market and individual investors may be concerned as to the credibility and reliability of information used to support investment decisions. A business or bank may be concerned as to the risk of litigation or enforcement, if they are considered to have made ESG related statements that are exaggerated, misleading or otherwise not well founded (e.g. in a transition plan or Task Force on Climate-Related Financial Disclosures report). Beyond this, concerns as to greenwashing risks and issues have given rise to a number of initiatives which may have a significant impact on UK businesses, including the Group. This includes the initiatives referred to above in respect of disclosure, reporting and transition plans. It also includes a new anti-greenwashing rule proposed by the FCA, which will apply to the Group in common with all other regulated firms. Put simply, firms must ensure that any reference to the sustainability characteristics of a product or service is consistent with the sustainability profile of that product or service, and is clear, fair and not misleading. The FCA has said that it wishes to have *"an explicit rule on which to challenge firms that we consider to be potentially greenwashing their products or services, and take enforcement action against them as appropriate."* The FCA has also noted: *"We will continue to consider responses to serious misconduct in this space, including the use of our enforcement power in the event of serious misconduct*." Other initiatives include the Green Claims Code published by the Competition and Markets Authority, which sets out principles for businesses making ESG claims. The Advertising Standards Authority can also consider potential greenwashing issues in advertisements. Non-governmental organisations with an interest in climate change and environmental protection may also take an interest in such matters, making a complaint or commencing litigation for strategic reasons and to advance their goals.

Regulatory burden and risk of non-compliance. Governments and regulators may introduce increasingly stringent rules and policies designed to achieve targeted ESG outcomes, which could increase compliance costs for the Group, drive asset impairments and result in regulatory fines or other action if the Group is unable to implement adequate reforms sufficiently quickly. How the Group assesses and responds to these developments and challenges could increase its costs of business, and a failure to identify and adapt its business to meet new rules or evolving expectations, or any perception that it is under-performing relative to its peers, could result in reputational damage and/or the risk of legal claims and may have an adverse impact on the Bank's (and ultimately the Issuer's) financial performance and business operations.

Many of the Bank's business, operational, reporting and financial processes rely on significant manual processes and intervention, which is inefficient and significantly increases the risk of errors in the Bank's operational processes, including customer-facing processes, data and financial reporting, by comparison with automated processes

Key business and operational processes, including processes supporting payments and financial reporting (including, *inter alia*, statutory, regulatory and management reporting, which incorporates management

reporting of actual results, planning, forecasting, generating appropriate assumptions and stress testing reporting), in some circumstances rely on manual process steps and on managing data using spreadsheets and other end-user tools, some of which are not subject to the same controls as the Bank's core systems. Data validation in some cases relies on manual checks where automated checks might be expected, leading to an increased risk of processing errors, adverse customer impact, compliance breaches and reputational harm to the Bank. Errors may also be made in the assumptions used in forecasting, which can lead to adjustments being required to the Bank's budget. The Bank periodically experiences actual and near-miss risk events, including where manual errors cause incorrect payments to be made or nearly made. Where such payment is retrieved from a customer, this is termed a "near-miss". Where such payment is not recovered, this constitutes an actual operational loss event.

Due to the Bank's reliance on legacy systems its financial reporting processes are complex. In particular, while the migration of heritage Britannia and WMS platform IT infrastructures to a single mainframe is core to the Bank's strategy and substantially progressed, these infrastructures have not yet been fully integrated following the merger of the Bank and Britannia. The Bank relies on manual processes to consolidate its financial results and other data, and there is reliance on the use of spreadsheets, manual controls and adjustments and other end-user computing systems, as opposed to fully automated consolidation and reporting processes. The manual nature of the processes increases the risk of a material misstatement in financial reporting.

The Bank may suffer loss as a result of fraud, theft or cyber-crime

As a financial institution, the Bank is subject to a heightened risk that it will be the target of criminal activity, including fraud or theft. Due to the nature of the Bank's business, it has exposure to many different customers and third-party service providers. The Bank's selection and screening processes with respect to its third-party service providers and lending customers, as well as its internal relationship management processes, may be ineffective if the Bank's customers or third-party service providers engage in fraudulent activity.

For example, the Bank is exposed to potential losses resulting from customers or third-party service providers providing the Bank with falsified or fictitious information in order to secure financing or receive sales commissions. Such fraudulent activity could have a material adverse effect on the Bank's business, financial condition, operating results or prospects. This exposure may also be impacted when the PSR New Reimbursement Requirements for Victims of Authorised Push Payments comes into force, expected in October 2024. See further the risk factor *"The Bank and its customers are exposed to risks and potential loss associated with cyber-crime and fraud"*.

In addition, losses arising from staff misconduct may result from, amongst other things, a failure to document transactions properly or obtain proper internal authorisation in an attempt to defraud the Bank, or from theft by staff of customer data or physical theft at the Bank's premises. This risk may be increased by the Bank employing hybrid working practices for head office colleagues where office interaction is more limited than before the emergence of Covid-19. Such behaviour may be difficult to prevent or detect and the Bank's internal policies to mitigate these risks may be inadequate or ineffective. The Bank may not be able to recover the losses caused by these activities and it could suffer reputational harm as a result, each of which could have a material adverse effect on its business, financial condition, and operating results or prospects.

The Bank is dependent on its Directors, senior management team and skilled personnel and the loss of one or more Directors or members of senior management or the loss of or failure to recruit and retain skilled personnel may have an adverse effect on the Bank's business, operating results, financial condition and prospects and its ability to achieve its strategy

People risk is defined as the risk associated with inappropriate employee behaviour and inadequate resources (people, capability and frameworks), resulting in customer or financial detriment and/or legal or regulatory censure.

The Bank depends on the continued contributions of its Directors, senior management and other key persons with the experience, knowledge and skills in banking necessary for its success.

The failure to have succession plans in place for the Chairman, Senior Independent Director and other members of the board and to recruit and retain non-executive directors in a timely manner could negatively impact on the effective governance and oversight of the Bank. The loss of one or more members of the Bank's executive team without finding suitable replacements or having appropriate succession plans in place may delay or impact on the ability of the Bank successfully to implement its strategy and lead to a disruption of the business and a loss of specialist knowledge.

Retention of personnel remains a significant risk due to budgetary constraints limiting changes to fixed pay, ability to offer reliable variable pay, scale and complexity of change, and the ongoing pressure on cost reduction. The risk remains that if senior or specialist staff exit unexpectedly or earlier than planned, the Bank may experience difficulties in replacing those individuals with appropriate and sufficiently skilled candidates, potentially exposing the Bank to operational disruption and delay in the execution of key Plan deliverables.

Legal, Accounting and Tax risks

The Bank is currently involved in litigation and may in the future become involved in further litigation. The outcome of any legal proceedings is difficult to predict

The Bank is engaged in various legal proceedings in the UK, involving claims both by and against it, which arise in the ordinary course of business, including (but not limited to) debt collection, mortgage enforcement, consumer claims, claims from closed book standard variable rate customers and contractual disputes – see the section *"The Bank is exposed to a number of conduct risks"* for further information. Whilst the Bank does not expect the ultimate resolution of any of these known legal proceedings to which the Bank is party to have a material adverse effect on the results of operations, cash flows or its financial position, and whilst provisions have been recognised for those cases where the Bank is able reliably to estimate the probable loss (where the probable loss is not *de minimis*), the outcome of any litigation is inherently difficult to predict and there can be no assurance that such provisions will be sufficient to cover the costs associated with such litigation. The outcome of any such litigation could adversely impact the Bank's reputation and brand, could result in additional similar claims being brought and/or, if perceived as a systemic or pervasive conduct issue, could result in further investigations or enquiries by the Bank's regulators. The costs of pursuing or defending legal proceedings, and the outcome of any such proceedings (including if an adverse outcome results in similar additional claims being brought), could have a material adverse impact on the financial condition of the Bank.

Anti-money laundering, anti-bribery, sanctions and other compliance risks

Combating money laundering, bribery and terrorist financing and compliance with economic sanctions continues to be a major focus of the FCA. Legislation and regulations impose obligations on the Bank to maintain appropriate policies, procedures, systems and controls to detect, prevent and report money laundering and terrorist financing. Failure by the Bank to implement and maintain adequate policies, procedures and controls to combat money laundering, bribery and terrorist financing or to ensure economic sanction compliance could have serious legal and reputational consequences for the institution, including exposure to fines, public censure, penalties and damages, which may have a material adverse impact on the Bank's operational and financial performance.

The Group's accounting policies and methods are critical to how it reports its financial condition and results of operations. They require the Group to make estimates about matters that are uncertain

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise significant judgement in applying relevant accounting policies so that they comply with IFRS, including in determining appropriate assumptions and estimates when valuing assets, liabilities, commitments, provisions and contingent liabilities. Significant judgement is also used in developing targets, forecasts and assumptions.

Accordingly, there is a risk that if the judgement exercised or the estimates or assumptions used subsequently turn out to be incorrect, this could result in significant loss to the Group beyond that anticipated or provided for, which could have an adverse impact on the Group's financial condition, operating results and prospects.

Furthermore, provisions for liabilities in the Group's accounts may not be adequate. Provisions are recognised for legal or constructive obligations arising from past events if it is probable (more likely than not) that there will be outflows of financial resources and the amounts can be reliably estimated. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic resources is uncertain and cannot reasonably be measured. Contingent liabilities are not recognised on the balance sheet, but are disclosed unless the outflow of resources is judged to be remote. These liabilities may be underestimated or there may be liabilities of which the Group is currently unaware.

The Bank has established policies and control procedures that are intended to ensure that the judgements (and the associated assumptions and estimates) that are applied in its financial statements are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing accounting policies and methodologies is applied in an appropriate manner. However, the Bank cannot guarantee that it will not be required to make (potentially material) changes in accounting policies, methodologies or estimates or restate prior period financial statements in the future.

There is also a risk the Bank's accounting policies and related judgements, estimates and determinations are challenged by regulatory bodies, including the Financial Reporting Council. This or any of the above potential challenges to the Bank's accounting policies or managements' judgements, estimates and determinations, and any associated restatements of previously published financial statements and any related litigation against the Bank arising from any such restatements could have a material adverse effect on the Bank's financial condition, operating results or prospects.

Changes in the Bank's accounting policies or in accounting standards could materially affect how it reports its financial condition and operating results

From time to time, the International Accounting Standards Board (the "**IASB**") may change the IFRS that govern the preparation of the Bank's financial statements. These changes can be difficult to predict and could materially impact how the Bank records and reports its financial condition and results of operations. In some cases, the Bank could be required to apply a new or revised standard retroactively, resulting in restating prior period financial statements.

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

The contributions that the Bank is required to make to its pension schemes may change over time.

The Bank is the principal employer of the legally segregated Bank Section ("**Bank Section**") of the Co-operative Pension Scheme ("**Pace**"), which has both an active defined contribution section and a closed defined benefit section ("**Pace DB**"), and a wholly-owned subsidiary controlled by the Bank is the principal employer of the Britannia Pension Scheme ("**BPS**"), which is a closed defined benefit scheme.

The Bank is not currently obliged to make deficit recovery contributions to Pace, however the trustee of Pace (the "**Pace Trustee**") has a right to funds in an escrow arrangement in certain circumstances, including on the insolvency of the Bank, to repair a deficit against the low risk target basis (a secondary funding measure for Pace) or to enable Pace to meet the premium payable against the scheme assets in order to fully insure the Bank Section of the liabilities with a third party insurance company. The terms of this escrow arrangement are documented in a payment agreement (the "**Payment Agreement**") and a security deed (the "**Security Deed**"), each entered into in June 2020.

In December 2022, the Pace Trustee completed a full "residual risks buy-in" transaction with Rothesay Life Plc, a specialist UK insurer, to fully insure scheme benefits through a bulk annuity insurance policy. In conjunction with this transaction the Bank and the Pace Trustee agreed that no further contributions into this escrow arrangement would be required. As at 30 June 2024, £25 million in cash was pledged in the escrow arrangement (excluding accrued interest which is for the benefit of the Bank and may be withdrawn from time to time). The Bank and the Pace Trustee agreed in March 2024 that the escrow requirement be reduced from £37.5 million on 31 December 2023 to £25 million.

The Bank is not currently required to make deficit recovery contributions to BPS; however, the Bank provides contingent security to the BPS in the form of £47.3 million AAA-rated investment securities, subject to a 3 per cent. haircut. This security becomes enforceable in the event that deficit recovery payments are not met, as may be agreed with the BPS Trustee from time to time, on insolvency of the Bank or a failure to adhere to the terms of the applicable Security Deed.

The Bank continues to actively participate in the management of the pension fund investment strategy in partnership with both the BPS and Pace Trustees.

The nature of the "residual risks buy-in" insurance transaction in Pace is such that the Bank's exposure to the primary investment and longevity risks associated with Pace have been substantially eliminated. However, while the scheme remains in existence, the Bank may be required to provide financial support to the scheme in the event that scheme liabilities arise which are not met through the bulk annuity insurance contract, or to meet costs to achieve wind-up of the scheme in the event that scheme assets are not sufficient to do so.

BPS employs hedging techniques to mitigate exposure to macro-economic factors, however there is a risk of macro-economic volatility in relation to the scheme's investments and actuarial assumptions. If sufficiently severe, these factors could impact CET1 resources, capital requirements, and additional buffer requirements and could result in a materially adverse effect on the business's financial condition and prospects. There are also risks that should the Bank's covenants weaken, and if the schemes' financial position deteriorates, further deficit contributions could be required in the future. This could also have a material adverse effect on the Bank's financial condition and prospects.

RISKS RELATING TO THE RECOVERY AND RESOLUTION REGIME

The UK Banking Act 2009 confers substantial powers on the UK resolution authorities, designed to enable them to take a range of actions in relation to UK deposit-taking institutions (and their groups) which are considered to be at risk of failing. The exercise of any of these actions in relation to the Issuer, the Group, the Bank or the Notes could materially adversely affect the value of the Notes and/or the rights of Noteholders

Under the Banking Act, substantial powers are granted to the UK resolution authorities (the Bank of England, the PRA and HM Treasury) as part of a 'special resolution regime' (the "**SRR**"). These powers enable the UK resolution authorities to deal with, amongst other entities, a UK bank or building society (each a "**relevant entity**") and its group in circumstances in which the UK resolution authorities consider that relevant pre-conditions are satisfied, through a series of stabilisation options. The implementation of any such resolution or pre-resolution powers would be effected without the need for the content or approval of the Noteholders, and may have a material adverse effect on the ability of the Issuer to meet its obligations under the Notes and/or on the Notes themselves and the rights of the Noteholders in respect thereof.

These powers include extensive share transfer powers (applying to a wide range of securities) and property transfer powers (including powers for partial transfers of property, rights and liabilities) in respect of the Issuer (as resolution entity for the Group), the Bank and/or their securities (subject to certain protections). Such powers could materially adversely affect the Issuer's creditworthiness, thereby increasing the risk that the Issuer may be unable to make payments of interest or principal in respect of the Notes. It is possible that resolution tools could be used by the resolution authorities prior to the point at which an application for

insolvency proceedings with respect to a relevant entity could be made and, in certain circumstances, the resolution authorities may exercise broad pre-resolution powers in respect of relevant entities with a view to removing impediments to the exercise of the stabilisation tools.

Exercise of these powers in respect of the Notes could further involve, (among other things):

- transferring the Notes out of the hands of the Noteholders;
- delisting the Notes;
- writing down (which may be to nil) the Notes or converting the Notes into another form or class of securities (including, potentially, ordinary shares of the Issuer, which in turn could be subject to further resolutions powers); and/or
- modifying or disapplying certain terms of the Notes, which could include modifications to (without limitation) the term of the Notes, the interest provisions (including reducing the amount of interest payable, the manner in which interest is calculated and/or changing the scheduled interest payment dates, including by suspending payment for a temporary period), and/or the redemption provisions (including the timing of any redemption options and/or the amount payable upon redemption), and may result in the disapplication of enforcement rights.

In general, the Banking Act requires the UK authorities to have regard to specified objectives in exercising the powers provided for by the Banking Act. One of the objectives (which is required to be balanced as appropriate with the other specified objectives) refers to the protection and enhancement of the stability of the financial systems of the UK. The Banking Act includes provisions related to compensation in respect of transfer instruments and orders made under it. In general, there is considerable uncertainty about the scope of the powers afforded to UK authorities under the Banking Act and how the UK authorities may choose to exercise them.

The preferred resolution strategy applicable to the Group is bail-in. The UK resolution authorities may exercise the bail-in tool under the Banking Act to recapitalise a relevant entity in resolution by allocating losses to (amongst others) its capital providers and unsecured creditors (which would include Noteholders) in a manner that (i) ought to respect the hierarchy of claims in an ordinary insolvency and (ii) is consistent with shareholders and creditors not receiving a less favourable treatment than they would have received in ordinary insolvency proceedings of the relevant entity (known as the "no creditor worse off" safeguard, although this may not apply in relation to an application of a write-down and conversion power (which is distinct from the bail-in stabilisation power) in circumstances where a stabilisation power is not also used). Accordingly, the ranking of Notes in insolvency can be expected to have a direct impact on the relative losses imposed on Noteholders in a resolution, including on a bail-in. This means that, if the bail-in tool were to be applied, the Notes would be expected to be written down or converted to equity instruments in full before more senior-ranking obligations of the Issuer suffer losses.

The bail-in tool includes the power to cancel a liability or modify the terms of contracts for the purposes of reducing or deferring the liabilities of the relevant entity under resolution and the power to convert a liability from one form or class to another. The exercise of such powers may result in the cancellation of all, or a portion, of the principal amount of, interest on, or any other amounts payable on, the Notes and/or the conversion of all or a portion of the principal amount of, interest on, or any other amounts payable on, the Notes into equity securities or other securities or other obligations of the Issuer or another person, including by means of a variation to the terms of the Notes.

The taking of any such actions could materially adversely affect the rights of Noteholders, the price or value of their investment in the Notes, the liquidity and/or volatility of any market in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes. In certain circumstances, if such actions were to leave Noteholders worse off than they would have been in an ordinary insolvency of the Issuer, the Noteholders

may have a claim for compensation under the Banking Act. However, there can be no assurance that any such compensation will be available, and if available such compensation will be limited to a return to restore the Noteholder to the position it would have been in had the Issuer instead entered into ordinary insolvency proceedings. There can be no assurance that Noteholders will have such a claim or, if they do, that they would thereby recover compensation promptly, or equal to any loss actually incurred.

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

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

In addition to the stabilisation options which may be used in a formal resolution of an institution, the Banking Act provides the UK resolution authorities with additional powers, including a capital write-down and conversion tool which enables (and, if the institution enters into resolution, requires) the UK resolution authorities to permanently write-down, or convert into equity, any own funds instruments of the institution (as well as intra-group MREL liabilities, including Tier 2 capital) at the 'point of non-viability' of the relevant entity, which powers may be used independently of (or in conjunction with) the exercise of any stabilisation power.

For the purposes of the application of such mandatory write-down and conversion power, the 'point of non-viability' is the point at which (i) the UK resolution authorities determine that a bank meets the conditions for resolution (but no resolution action has yet been taken), (ii) the UK resolution authorities determine that the bank will no longer be viable unless the relevant capital instruments and relevant internal liabilities are written-down or converted or (iii) extraordinary public financial support is required by the bank other than for the purposes of remedying a serious disturbance in the UK economy and to preserve financial stability.

The Issuer intends to on-lend the proceeds of the issue of the Notes to the Bank by way of subscribing for securities to be issued by the Bank (the "**Intra-Group Notes**") in a form which is eligible to count towards the own funds of the Bank and its group. If such Intra-Group Notes were to be subjected to write-down or conversion into equity on application of such powers (without requiring the consent of the holders thereof) independently of whether the Issuer or the Bank is in, or subsequently enters into, resolution, this may materially adversely affect the ability of the Issuer to make payments of interest and principal on the Notes. This may result in the Noteholders losing some or all of their investment in the Notes, even if the Issuer is not put into resolution. The "no creditor worse off" safeguard would not apply to Noteholders in such a scenario.

The exercise of such mandatory write-down and conversion power under the Banking Act could, therefore, materially adversely affect the rights of holders of the Notes, and such exercise (or the perception that such exercise may occur) could materially adversely affect the price or value of their investment in the Notes and/or may adversely affect the price, liquidity and/or volatility in any market for the Notes.

The circumstances under which the UK resolution authorities would exercise resolution or other powers under the Banking Act are uncertain, and the use or anticipated use of such powers may adversely affect the price or value of Notes

There is considerable uncertainty regarding the specific factors, beyond the goals of addressing banking crises pre-emptively and minimising taxpayers' exposure to losses (for example, by writing down relevant capital instruments before the injection of public funds into a financial institution), which the UK resolution authorities would consider in deciding whether to exercise the resolution and capital write down and conversion powers under the Banking Act with respect to the Issuer, the Bank, the Notes and/or the Intra-

Group Notes, and the UK resolution authorities are afforded considerable discretion in this regard. Many of the factors may be outside of the Issuer's control or not directly related to it.

Accordingly, it may not be possible for investors or prospective investors in the Notes to predict accurately (or at all) if and whether the UK resolution authorities may take action under the Banking Act in respect of the Issuer, the Bank, the Notes and/or the Intra-Group Notes, or what action may be taken and the level of losses that would be borne by investors in the Notes as a result. Any indication or expectation that resolution or other powers may be used by the UK resolution authorities in respect of the Issuer, the Bank and/or the Notes could materially adversely affect the price, liquidity and/or volatility in any market for the Notes, and uncertainty as to whether or when the UK resolution authorities may take action, and the nature and extent of that action, may exacerbate these risks.

RISKS RELATED TO THE STRUCTURE OF THE NOTES

The claims of holders of the Notes will be structurally subordinated

The Notes are the obligation of the Issuer only. The Issuer is a holding company with no revenue generating operations of its own and conducts substantially all of its operations through its direct and indirect subsidiaries (in particular, the Bank). Accordingly the claims of the Noteholders under the Notes will be structurally subordinated to the claims of all creditors of the Issuer's subsidiaries (including the creditors of the Bank). The Bank and the Issuer's other subsidiaries are separate and distinct legal entities from the Issuer, and have no obligation to pay any amounts due under the Notes. The Issuer's right to participate in the assets of any subsidiary if such subsidiary is liquidated will be subject to the prior claims of such subsidiary's creditors and any preference shareholders (except in the circumstance, and to the extent, that the Issuer is also a creditor of such subsidiary with claims that are recognised to be ranked ahead of or *pari passu* with any such claims).

Accordingly, if the Bank or another of the Issuer's subsidiaries were to be wound up, liquidated or dissolved, (i) Noteholders would have no right to claim in such winding up or to proceed against the assets of such subsidiary, and (ii) the Issuer would only recover any amounts (directly, or indirectly through its holdings of other subsidiaries) in the liquidation of that subsidiary in respect of (a) any debts of such subsidiary where the Issuer (directly or indirectly) is the creditor, but subject to the claims on the assets of such subsidiary of all other creditors ranking in priority to, or *pari passu* with, the Issuer (or another of its subsidiaries), and (b) its direct or indirect holding of ordinary shares in such subsidiary, if and to the extent that any surplus assets remain following payment in full of the claims of all creditors and preference shareholders (if any) of that subsidiary.

As well as the risk of losses in the event of a Group subsidiary's insolvency, the Issuer may suffer losses if any of its loans to, or investments in, its subsidiaries are subject to statutory write-down and conversion powers or if the subsidiary is otherwise subject to resolution proceedings. Loans to the Bank may contain contractual mechanisms that, upon the occurrence of a trigger related to the prudential or financial condition of the Group or the Bank, would automatically result in a write-down or conversion into equity of such loans, or the UK resolution authorities may elect to write down or convert such loans using resolution or capital write-down and conversion powers under the Banking Act irrespective of any such contractual provisions in certain circumstances.

The Issuer intends to on-lend the proceeds of issue of the Notes to the Bank by subscribing for the Intra-Group Notes (as defined above), in a form which is eligible to count towards the MREL resources of the Bank and its group, including that the Intra-Group Notes will form part of the class of 'secondary non-preferential debts' of the Bank, as defined in Section 387A(3)(b) of the Insolvency Act 1986, as amended (the "**Insolvency Act**"). Accordingly, the claims of the Issuer in respect of such Intra-Group Notes will rank below the claims of (i) all depositors of the Bank, (ii) all creditors in respect of unsubordinated and unsecured liabilities of the Bank which constitute 'ordinary non-preferred debts' as defined in Section 387A(3)(a) of

the Insolvency Act and (iii) all other obligations of the Bank which are preferred by law to secondary non-preferential debts. As such, the Intra-Group Notes will rank below the vast majority of the liabilities of the Bank.

The Issuer intends that payments made by the Bank to the Issuer under the Intra-Group Notes would be available by the Issuer to make payments under the Notes. However, there can be no assurance that this will be the case. For example, if such Intra-Group Notes were to be written down or converted to equity instruments by the UK resolution authorities in circumstances where the Notes are not also written down or converted to equity, or if payments are made by the Bank under such Intra-Group Notes but the Issuer is required to utilise those funds to make payments under its other obligations, there can be no assurance that the Issuer would be able to generate sufficient funds to make payments under the Notes.

More generally, the operating performance and financial condition of the Bank and the Issuer's other subsidiaries, and their ability to provide funds to the Issuer (by way of interest payments, dividends or otherwise) will in turn depend, to some extent, on general economic, financial, competitive, market and other factors, including those set out above in this section "*Risk Factors*", many of which are beyond the Issuer's and the Bank's control. The Bank may not generate income and cash flow sufficient to enable the Issuer to make payments on the Notes in full or at all. Further, the ability of a subsidiary to make distributions or payments (directly or indirectly) to the Issuer, or the amount of such distributions or payments, may be materially impacted by changes in legal, accounting and/or tax requirements or guidelines over time.

Further, the Issuer retains absolute discretion to restructure any loans to, or any other investments in, any of its subsidiaries, including the Bank (which includes the Intra-Group Notes), at any time and for any purpose including, without limitation, in order to provide different amounts or types of capital or funding to such subsidiary as part of meeting regulatory capital, MREL and total loss absorbing capacity requirements in respect of the Bank and/or the Group. A restructuring of a loan or investment made by the Issuer in a Group subsidiary could include changes to any or all features of such loan, including its legal or regulatory form, how it would rank in the event of resolution and/or insolvency proceedings in relation to the Group or such subsidiary, and the inclusion of a mechanism that provides for an automatic write-down and/or conversion into equity upon specified triggers. Any restructuring of the Issuer's loans to and investments in any of the Group subsidiaries (including the Intra-Group Notes) may be implemented by the Issuer without prior notification to, or consent of, Noteholders, and may have an adverse effect on the ability of the Issuer to make payments under the Notes.

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

No rights of set-off

In addition to the structural subordination of the Notes, subject to applicable law, no Noteholder will be able to exercise, claim or plead any right of set-off, netting, compensation, counterclaim or retention in respect of any amount owed to it by the Issuer in respect of, arising under or in connection with the Notes and each Noteholder shall, by virtue of its holding of any such Note, be deemed to have waived all such rights of set-off, netting, compensation, counterclaim or retention.

Notwithstanding the above, if any of the amounts owing to any Noteholder by the Issuer in respect of, or arising under or in connection with, the Notes is discharged by set-off, netting, compensation, counterclaim or retention, such Noteholder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer and until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer. Accordingly any such discharge shall be deemed not to have taken place.

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

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

Early redemption at the option of the Issuer

In accordance with the Conditions of the Notes, the Issuer may, at its discretion (but subject to certain conditions set out in Condition 6), elect to redeem the Notes at an amount equal to their outstanding principal amount, together with accrued and unpaid interest, (i) on the Reset Date; (ii) at any time following the occurrence of a Tax Event or a Loss Absorption Disqualification Event; or (iii) at any time where 75 per cent. or more of the aggregate principal amount of the Notes originally issued (as construed in accordance with Condition 6.5) has been purchased and cancelled.

This feature is likely to limit the market value of the Notes. At any time when the Notes may be redeemed, their market value will generally not rise substantially above the price at which they can be redeemed, and this may also be true prior to such time. Further, during periods where there is an increased likelihood, or a perceived increased likelihood, that the Notes will be redeemed early, the market value of the Notes may be adversely affected.

In addition, the circumstances in which a Tax Event or a Loss Absorption Disqualification Event are matters beyond the Issuer's control, and it may not be possible for an investor or prospective investor in the Notes to predict accurately whether and when any such event may occur. As at the date of this Prospectus, the Issuer is the 'resolution entity' designated by the Bank of England in respect of the Bank's 'resolution group'. The Issuer expects that the full principal amount of the Notes will be eligible for inclusion in the MREL resources of the Group upon issue. If the Bank of England were subsequently to determine that the Notes should no longer count towards the Group's MREL resources, or that a haircut should be applied to the amount of MREL benefit of the Notes to the Group, this may result in a Loss Absorption Disqualification Event.

If the Issuer elects to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes 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.

The Issuer may substitute the Notes or vary their terms without the consent of the Noteholders

If a Tax Event or a Loss Absorption Disqualification Event has occurred, then the Issuer may, in its sole discretion but subject to Condition 6.6 and 6.9, and without any requirement for the consent or approval of the Noteholders, at any time (whether before or following the Reset Date) either substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Compliant Securities. While Compliant Securities must have terms that are not materially less favourable to an investor than the terms of the Notes, there can be no assurance that, whether due to the particular circumstances of each Noteholder or otherwise, such Compliant Securities will be as favourable to each Noteholder in all respects.

The remedies available to Noteholders under the Notes will be limited

The rights of enforcement of Noteholders (and the Trustee on their behalf) in respect of the Notes is limited. The Noteholders may not at any time demand repayment or redemption of their Notes (without prejudice to their ability to claim in a Winding-Up in respect of the principal amount of their Notes and any accrued and unpaid interest thereon).

The sole remedy in the event of any non-payment of principal or interest under the Notes when due is that the Trustee, on behalf of the Noteholders may (and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding, or if so directed by an Extraordinary Resolution of the holders of the Notes shall), subject to being indemnified and/or secured and/or prefunded to its satisfaction, institute proceedings for the winding-up of the Issuer in England (but not elsewhere) and may prove and/or claim in such winding-up, but may take no other action in respect thereof.

No holder of a Note shall be entitled to institute proceedings for the winding up of the Issuer or to prove or claim in a Winding Up of the Issuer or to take any other enforcement action against the Issuer in respect of the Notes or the Trust Deed unless the Trustee, having become bound so to proceed in accordance with Condition 9, fails or is unable to do so within a reasonable time and such failure or inability is continuing, in which case the Noteholder shall, with respect to the Notes held by it, have only such rights against the Issuer as those which the Trustee is entitled to exercise in respect of such Notes as set out in Condition 9.

The remedies under the Notes will be much more limited than those typically available to senior creditors in respect of debts that do not count towards the MREL resources of the issuing entity. For further details regarding the limited remedies of the Trustee and the Noteholders, see Condition 9.

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

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

The Notes will not, however, be Protected Liabilities under the FSCS and will not be guaranteed or insured by any government, government agency or compensation scheme of the United Kingdom or any other jurisdiction. To the extent that interest payments are not made under the Notes or Noteholders lose their investment in the Notes whether due to regulatory action or otherwise, no claim can be made by a Noteholder to the FSCS for any losses they may suffer.

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

The Notes will initially accrue interest at a fixed rate of interest to, but excluding, the Reset Date. From, and including, the Reset Date, the interest rate will be reset to the Reset Interest Rate (as described in Condition 4).

Instruments (such as the Notes) which bear a fixed rate of interest over a period of time, are subject to the risk that increases in prevailing interest rates over that period may reduce the market price of such instruments, meaning that the interest paid under the Notes may be less than the then applicable market interest rate.

In addition, the Reset Interest Rate could be less than the initial fixed rate of interest applicable to the Notes, which could adversely affect the amount of any interest payments under the Notes as well as the market price of the Notes.

Limitation on gross-up obligation under the Notes

The Issuer's obligation to pay additional amounts in respect of any withholding or deduction in respect of taxes imposed in a Tax Jurisdiction under Condition 7 applies only to payments of interest due and payable under the Notes and not to payments of principal or any other amounts. As such, the Issuer would not be required to pay any such additional amounts under the terms of the Notes to the extent any withholding or deduction were to be applied to payments of principal upon any redemption of the Notes.

Accordingly, if any such withholding or deduction were to apply to any payments of principal under the Notes, the Noteholders would, upon repayment or redemption of the Notes, be entitled to receive only the net amount of such redemption or repayment proceeds after deduction of the amount required to be withheld. Therefore, Noteholders may receive less than the full amount due under the Notes, and the market value of the Notes may be adversely affected as a result.

Modification, waivers and substitution

The Conditions contain provisions for calling meetings of Noteholders (including in a physical place or by any electronic platform (such as conference call or videoconference)) to consider matters affecting their interests generally. The Trust Deed further provides that (i) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding or (ii) a resolution passed by way of electronic consents given by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding shall, in each case, for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held.

Any resolution passed at a meeting of Noteholders or in writing or by way of electronic consents will be binding on all Noteholders, whether or not they are present at the meeting or voting in favour or, as the case may be, whether or not signing the written resolution or providing electronic consents, and including Noteholders who vote against the relevant resolution.

In addition, the Trustee may agree, without the consent of the Noteholders, to (i) any modification of the Conditions or of any other provisions of the Trust Deed or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error, (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of any of the Conditions or of the provisions of the Trust Deed or the Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Noteholders and (iii) the substitution of the Issuer as principal debtor under the Notes, in the circumstances described in Condition 15.

In relation to (iii) in the paragraph above, where the substitution of the Issuer occurs within the first 12 months following the Issue Date and such substitute issuer is (i) a Holding Company of the Issuer; and (ii) incorporated pursuant to the Building Societies Act 1986 (a "**Relevant Substitute**"), the Issuer shall have the right to (simultaneously with such substitution), without the consent of the Noteholders, amend the provisions relating to the ranking of the Notes such that they become, and rank equally with, the secondary non-preferential debt of the Relevant Substitute, as further specified in the Conditions (the "**Ranking Provision**"). The Issuer is a holding company with no revenue generating operations of its own and conducts substantially all of its operations through its subsidiaries (in particular, the Bank), whereas the Relevant Substitute would be expected to have an operating business. So, whilst the effect of the Ranking Provision will be to lower the ranking of the Notes to secondary non-preferential debt, this is expected to be offset by the removal of the structural subordination of the Notes. However, in this scenario, the Issuer's Existing Notes (as defined in "*Overview of the Issuer and the Group*") which do not contain a provision equivalent to the Ranking Provision could rank, either contractually or structurally, senior to the Notes (whereas currently they are *pari passu* with, or subordinate below, the Notes). Despite the removal of the structural subordination in this scenario, there is therefore a risk that the trigger of the Ranking Provision adversely affects the potential return to Noteholders given it may result in there being more creditors senior to them than there otherwise would have been.

Further, pursuant to Condition 4.7, if a Benchmark Event occurs in respect of the Notes, certain changes may be made to the interest calculation provisions of the Notes in the circumstances set out in Condition 4.7 without the requirement for consent of the Noteholders.

The regulation and reform of "benchmarks" may adversely affect the value of the Notes

Interest rates and indices which are deemed to be "benchmarks" are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on securities linked to or referencing such a "benchmark".

The UK Benchmarks Regulation, among other things, applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within 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). Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**") includes similar provisions with respect to the use in the EEA by EEA-supervised entities of benchmarks of administrators that are not authorised or endorsed by the relevant European authorities.

The Reset Interest Rate (as defined in Condition 4) in respect of the Notes will (subject as provided in that Condition) be determined by reference to the applicable annual mid-swap rate for swap transactions in pounds sterling (with a maturity equal to one year) where the floating leg pays compounded daily SONIA annually, which is calculated and published by ICE Benchmark Administration Limited or any successor thereto on the relevant screen page on the Reset Determination Date. Any change or proposed change to, or proposed termination of, the calculation or determination of the mid-swap rate by ICE Benchmark Administration Limited or any successor thereto, and/or any proposed or actual elimination of, SONIA, or changes in the manner of administration of SONIA, could require an adjustment to the terms and conditions, and/or result in other consequences in respect of the Notes, which could adversely affect the amounts of interest (if any) paid under the Notes and/or the value of the Notes. Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the UK Benchmarks Regulation reforms in making any investment decision with respect to the Notes.

The Conditions provide for certain fallback arrangements in the event that the applicable mid-swap rate, its screen page or a component part of its calculation (such as SONIA) becomes unavailable or a Benchmark Event otherwise occurs, including the possibility that the rate of interest could be set by reference to a successor rate or an alternative reference rate and that such successor rate or alternative reference rate would be subject to an adjustment spread (which could be positive, negative or zero) or a formula for determining an adjustment spread, all as determined by an Independent Adviser in consultation with the Issuer. There can be no assurance that these provisions, if applied, would result in a neutral or positive outcome for Noteholders. Further, even if a Benchmark Event occurs, such amendments may not be applied in respect of the Reset Period, for example if the Independent Adviser is unable to make the relevant determinations, or if, in the determination of the Issuer, the same could reasonably be expected to cause the then current or future disqualification of the Notes from the MREL resources of the Issuer or the Group. In certain circumstances the ultimate fallback for the purposes of calculation of interest for the Reset Period may result in the rate of interest being determined using the original fixed rate of interest, effectively resulting in the application of a continued fixed rate of interest.

Any such consequences could have a material adverse effect on the trading market for, liquidity of, value of and return on the Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Notes. Investors should consider these matters when making their investment decision with respect to the Notes.

RISKS RELATED TO THE NOTES GENERALLY

Set out below is a brief description of certain risks relating to the Notes generally*:*

The Notes may not be a suitable investment for all investors seeking exposure to green assets

No assurance that the Notes will satisfy any investor requirements or expectations

As described in "*Use and Estimated Net Amount of Proceeds*" below, once the net proceeds of the issue of the Notes have been on-lent to the Bank, the Bank intends to apply an amount equal to such net proceeds specifically for advancing loans to customers for financing and/or refinancing, in whole or in part, Eligible Green Assets, in line with the GSS Framework of the Group. "**Eligible Green Assets**" include assets, projects and expenditures which seek to address or mitigate a specific environmental issue and/or seek to achieve positive environmental outcomes. While the Group intends that the GSS Framework substantially adheres to the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines as published by the International Capital Markets Association ("**ICMA**") from time to time (together, the "**Principles**"), there can be no assurance that the GSS Framework does, or will continue, to be consistent with the Principles.

If the use of such proceeds is a factor in a prospective investor's decision to invest in the Notes, prospective investors should consult with their legal and other advisers before making an investment in the Notes and must determine for themselves the relevance of such information for the purpose of determining whether an investment in the Notes satisfies their requirements as regards investing in "green bonds" or similarly labelled assets, together with any other investigation such investor deems necessary. In particular, no assurance is given by the Issuer or the Joint Lead Managers that the use of an amount equal to the proceeds of the issue of the Notes in connection with Eligible Green Assets will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, green or sustainability impact of any projects or uses, the subject of or related to any Eligible Green Assets.

No formal or consensus definition of a 'sustainable' (or similar) security

There is currently no clearly defined legal, regulatory or other definition of a "green" or "sustainable" bond or market consensus as to what attributes are required for a particular asset or project to be classified as 'green', 'environmental', 'sustainable' or any similar label, nor can any assurance be given that such a clear definition or consensus will develop over time. A basis for the determination of such a definition has been established in the EU with the publication in the Official Journal of the EU on 22 June 2020 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 (the "**Sustainable Finance Taxonomy Regulation**") on the establishment of a framework to facilitate sustainable investment (the "**EU Sustainable Finance Taxonomy**") and the EU adopted regulation on a voluntary European green bond standard (the "**EUGB Regulation**"). The EU Sustainable Finance Taxonomy is subject to further development by way of the implementation by the European Commission through delegated regulations of technical screening criteria for the environmental objectives set out in the Sustainable Finance Taxonomy Regulation.

The EUGB Regulation entered into force in December 2023 and is expected to become applicable from December 2024. The EUGB Regulation will establish a voluntary label for European green bonds and will set out uniform requirements for issuers that wish to use the designation "European green bond" or "EuGB" and the conditions for external review of bonds using the label. It will also create an alternative voluntary approach to sustainability disclosures for bonds not using the label but marketed as environmentally sustainable or sustainability-linked bonds. No assurance is or can be given by the Issuer or the Joint Lead Managers that the eligibility criteria for Eligible Green Assets will satisfy any requisite criteria determined

under the EUGB Regulation, the Sustainable Finance Taxonomy Regulation or within the EU Sustainable Finance Taxonomy at any time, or that any regime implemented in the United Kingdom (if any) for issuing 'green', 'environmental', 'sustainable' or other equivalently-labelled securities will align with the European, United Kingdom or any other framework for such securities.

No assurance that Eligible Green Assets will meet their objectives

Furthermore, there can be no assurance that any Eligible Green Assets identified by the Bank will meet the criteria intended by the Bank, nor that any project or investment involving Eligible Green Assets will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Bank when making its assessment whether or not to the Bank is to apply any proceeds of the Notes (or amounts equal thereto) to such Eligible Green Assets.

Accordingly, no assurance is or can be given by the Issuer or the Joint Lead Managers to investors in the Notes that any projects or uses the subject of, or related to, any Eligible Green Assets will meet any or all investor expectations regarding such 'green', 'environmental', 'sustainable', 'social' or other equivalently-labelled performance objectives or that any adverse environmental, green, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Green Assets.

No obligation on the Joint Lead Managers to verify Eligible Green Assets or monitor the use of proceeds of the Notes and Noteholders shall have no recourse to them

The Joint Lead Managers are not responsible for (i) any assessment of any eligibility criteria relating to the Notes, (ii) any verification of whether the Eligible Green Assets identified by the Bank will satisfy any relevant eligibility criteria, (iii) the monitoring of the use of proceeds (or amounts equal thereto) in connection with the issue of the Notes, (iv) the allocation of the proceeds by the Bank to particular Eligible Green Assets, (v) any assessment of the Eligible Green Assets criteria or (vi) the contents of the GSS Framework, the Second Party Opinion or any subsequent amendments thereto or replacement thereof, and no investor in any of the Notes will have any recourse to the Joint Lead Managers in connection therewith.

No assurance of suitability or reliability of any second party opinion

In addition, no assurance or representation is given by the Issuer or the Joint Lead Managers as to the suitability or reliability for any purpose whatsoever of the Second Party Opinion or any other opinion, certification or report of any third party (whether or not solicited by the Group) which may be made available in connection with the issue of the Notes and/or the GSS Framework established by the Group, and in particular with any Eligible Green Assets to fulfil any environmental, green, sustainability, social and/or other criteria. For the avoidance of doubt, the Second Party Opinion is not incorporated by reference in, and does not form part of, this Prospectus. Any such opinion or certification is not, and should not be deemed to be, a recommendation by the Issuer, the Joint Lead Managers or any other person to buy, sell or hold any of the Notes. Any such opinion or certification will also only be current as of the date on which that opinion is initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in the Notes. As at the date of this Prospectus, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

The Noteholders will have no recourse against the Issuer or the Joint Lead Managers or the provider of the Second Party Opinion or any other such opinion or certification for the contents of any such opinion or certification. A withdrawal of any such opinion or certification may affect the value of the Notes, may result in the delisting of the Notes from any dedicated 'green', 'sustainable' or other equivalently-labelled segment

of any stock exchange or securities market and/or may have consequences for certain investors with portfolio mandates to invest in green, sustainable, social or other equivalently-labelled assets.

No request has been made for the Notes to be admitted to trading on any dedicated sustainable (or similar) segment of any stock exchange or market. In the event that such admission were to be obtained will be maintained, there can be no assurance that such admission would meet investor expectations or requirements

No request has been made for the Notes to be listed or admitted to trading on any dedicated 'green', 'social', 'sustainable' or other equivalently-labelled segment of any stock exchange or securities market. In the event that the Notes were to be admitted to any such segment, no representation or assurance can be given that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, nor that such listing or admission to trading will be maintained during the term of the Notes. The criteria for acceptance onto any such market may change from time to time. In the event of any actual or anticipated removal of the Notes from any such market, or if access to any such market is sought and refused, that could have a material adverse effect on the market price of the Notes.

No obligation or assurance that an amount equal to the proceeds of issue of the Notes will be applied for the purposes of financing and/or refinancing, in whole or in part, Eligible Green Assets, and any failure in application of such proceeds (or equal amounts) will not constitute a default or otherwise enable Noteholders to take any enforcement action against the Issuer

While it is the intention of the Bank to apply an amount equal to the net proceeds of the issue of the Notes for advancing loans to customers for financing and/or refinancing, in whole or in part, Eligible Green Assets, neither the Issuer nor the Bank will be under any contractual obligation to do so (including that the Conditions of the Notes and the Trust Deed do not contain any such requirement on, or covenant by, the Issuer or the Bank nor any event of default should the Bank fail to apply the proceeds or equivalent amounts for such purpose) and further there can be no assurance that any part of the proceeds of the Notes (or amounts equivalent thereto) will be capable of being applied to Eligible Green Assets in or substantially in such manner and/or in accordance with any timing schedule and that accordingly such amounts will be totally or partially disbursed for such Eligible Green Assets. Nor can there be any assurance that any project or investment relating to such Eligible Green Assets will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Bank. Any such event or failure by the Bank or its customers will not prejudice the treatment of the Notes as MREL resources for the Issuer and the Group or constitute an event of default under the Notes or otherwise trigger any other consequences under the Conditions of the Notes.

The ability of the Notes to qualify as MREL and absorb losses of the Bank and/or the Group will not be affected by their characterisation as "green", and the characterisation of the Notes as "green" does not affect the status of the Notes in terms of ranking

The proceeds of issue of the Notes will be available to absorb losses of the Bank and/or the Group to the same degree and in the same manner as any other MREL-eligible securities issued by the Issuer which rank *pari passu* with the Notes and which do not carry any "green" or similar label. The Notes will be subject to bail-in and resolution measures available under the Banking Act without any differentiation from any such other similar securities. Further, the resolution and MREL requirements will apply to the Notes and the Notes do not have any features which undermine their ability to absorb losses in compliance with the prevailing resolution rules, and neither the Notes nor the proceeds of issue thereof will be afforded any special treatment or enhanced protections as a result of them being labelled as "green".

The proceeds of the issue of the Notes will be available to cover all losses of the Issuer and/or the Group, regardless of the fact that the Notes are "green" and regardless of whether the losses stem from the financing

and/or refinancing, in whole or in part, of Eligible Green Assets by the Bank out of the proceeds of issue of the Notes (or amounts equivalent thereto).

Noteholders have no recourse to the Issuer, and the Issuer shall not have any obligations, in the event that the proceeds of issue of Notes or amounts equal thereto are not applied on the basis described herein

Any event or failure by the Bank to apply an amount equal to the net proceeds of the issue of the Notes to advance loans to customers to finance and/or refinance any Eligible Green Assets, and/or any failure to apply those funds to Eligible Green Assets as aforesaid, and/or withdrawal of any opinion or certification in connection with the Notes, or any opinion or certification attesting that the Group is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any of the Notes no longer being listed or admitted to trading on any stock exchange or securities market or any particular segment thereof as aforesaid and/or any failure by the Group to provide or publish any reporting or any impact assessment on the use of proceeds (or amounts equal thereto) from the issue of the Notes will not:

(i) give rise to any claim of a Noteholder against the Issuer, the Bank or any other member of the Group or the Joint Lead Managers;

(ii) constitute an event of default under the Notes or a breach or violation of any term thereof, or constitute a default by the Issuer for any other purpose, or permit the Trustee or any Noteholder to accelerate the Notes or take any other enforcement action against the Issuer;

(iii) lead to a right or obligation of the Issuer to redeem the Notes or be a relevant factor for the Issuer in determining whether or not to exercise any optional redemption rights in respect of the Notes or give any Noteholder the right to require redemption of its Notes;

(iv) affect the qualification of the Notes within the MREL resources of the Issuer and/or the Group;

(v) otherwise affect or impede the ability of the Issuer and/or the Bank to apply the proceeds of the Notes (or the Intra-Group Notes) to cover losses in the Issuer, the Bank and/or any other part of the Group; or

(vi) result in any step-up or increased payments of interest, principal or any other amounts in respect of the Notes, or otherwise affect the Conditions of the Notes.

However, such event of failure may adversely affect the reputation of the Issuer and the Group and could have a material adverse effect on the value of the Notes and also potentially the value of any other notes, including (without limitation) notes which are intended to finance the Bank's lending in connection with Eligible Green Assets and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Furthermore, any failure by the Issuer or the Group to meet any green, environmental, social or other sustainability targets it may be required to meet or may set itself from time to time shall not constitute an event of default under the Notes or otherwise result in the Notes being redeemed prior to their maturity date.

No link between the Notes and any Eligible Green Assets funded out of the proceeds of issue thereof

Amounts of interest, principal or other amounts payable in respect of the Notes will not be impacted by the performance of the Eligible Green Assets funded out of the proceeds of issue (or amounts equal thereto) of

the Notes or by any other Eligible Green Assets or other green, social or sustainable assets of the Issuer, the Bank or the Group.

Further, the tenor of the amounts advanced for the purposes of financing and/or refinancing, in whole or in part, Eligible Green Assets may not match the maturity date of the Notes. The subsequent redemption of relevant loans advanced by the Bank, or the project(s) or use(s) the subject of, or related to, any Eligible Green Assets before the maturity date of the Notes shall not lead to the early redemption of the Notes or any other notes nor create any obligation or incentive of the Issuer to redeem the Notes at any time or be a factor in the Issuer's determination as to whether or not to exercise any early redemption rights it may have from time to time.

Material adverse impact on trading and/or market price

If any of the risks outlined in this risk factor materialise, this may have a material adverse effect on the value of the Notes and also potentially the value of any other notes which are intended to finance the Bank's lending for Eligible Green Assets and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose (including, without limitation, if such investors are required to dispose of their Notes as a result of such Notes not meeting any investment criteria or objectives set by or for such investor, which could lead to increased volatility and/or material decreases in the market price of the Notes). Prospective investors must determine for themselves the potential for any of the risks identified in this risk factor to materialise and the impact such risks may have on the value or market price of, or any market in, the Notes.

Reliance on Euroclear and Clearstream, Luxembourg procedures

The Notes will be represented initially upon issue by a Global Certificate that will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Notes in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the ownership interests in the Global Certificate. While the Notes are represented by the Global Certificate, investors will be able to trade their ownership interests and exercise their other rights (such as voting rights) only through, and in accordance with the procedures of, Euroclear or Clearstream, Luxembourg, as the case may be.

While the Notes will be represented by the Global Certificate, the Issuer will discharge its payment obligations under the Notes by making payments to (or to the order of) the nominee as the sole registered holder of all the Notes. A holder of an ownership interest in the Global Certificate must rely on the procedures of the relevant clearing system and its participants (and any other intermediary through which it may hold its interests in the Notes) to receive its share of the payments made by the Issuer under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, ownership interests in a Global Certificate.

Holders of ownership interests in a Global Certificate will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

If an investor in the Notes is not a direct participant in Euroclear or Clearstream, Luxembourg, it will hold its interests in the Notes through one or more further brokers, nominees, custodians or other intermediaries, and such investors will therefore be dependent upon its intermediary (or chain of intermediaries) for effecting transactions, or exercising their rights, in respect of the Notes and receiving payments or interest and principal under the Notes. Such intermediaries may also charge certain commissions, costs and expenses to such investor, which may reduce any income (if any) which such investor would otherwise receive under the Notes.

Investors who hold less than the minimum specified denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued

The Notes will be issued in denominations of £100,000 and integral multiples of £1,000 in excess thereof. Accordingly, it is possible that they may be traded in amounts that are not integral multiples of £100,000. In such a case, a holder who, as a result of trading such amounts, holds an amount which is less than £100,000 in their account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of £100,000 such that its holding amounts to at least equal to £100,000. Further, a holder who, as a result of trading such amounts, holds an amount which is less than £100,000 in their account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should such Notes be printed) and would need to purchase a principal amount of Notes at or in excess of £100,000 such that its holding amounts to at least equal to £100,000.

Risks related to the market generally

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

The secondary market generally

The Notes represent a new security for which no secondary trading market exists, and there can be no assurance that one will develop. If a market does develop, it may not be liquid and may be sensitive to changes in financial markets. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. These risks may be exacerbated further if a limited number of initial Notes purchase the Notes. Illiquidity may have a severely adverse effect on the market price of Notes and result in increased volatility in any such market price.

If a market for the Notes does develop, the trading price of the Notes may be subject to wide fluctuations in response to many factors, including those referred to in this risk factor and the other risk factors described above, as well as stock market fluctuations and general economic conditions and adverse market shocks, that may adversely affect the market price of the Notes and/or increase the volatility of such market price. 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 Notes does develop, it may become severely restricted, or may disappear, if the financial condition of the Issuer or the Group deteriorates such that there is an actual or perceived increased likelihood of the Issuer being unable to pay interest on the Notes, or of the Notes being subject to loss absorption under the recovery and resolution regime under the Banking Act. Some of the factors which could affect the market price of the Notes, many of which are beyond the Issuer's control, include:

- actual or expected variations in the Group's operating performance;
- 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, disposals, strategic alliances, joint ventures, new initiatives, new services or new service ranges;
- regulatory matters, including changes in regulatory regulations or central bank requirements;
- additions or departures of key personnel; and
- future issues or sales of Notes or other securities.

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

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

Moreover, although the Group may (subject to regulatory approval and compliance with prevailing prudential requirements) purchase Notes at any time, it has no obligation to do so. Purchases made by any member of the Group could affect the liquidity of the secondary market of the Notes and thus the price and the conditions under which investors can negotiate these Notes on the secondary market.

In addition, Noteholders should be aware of global credit market conditions, whereby there may be a general lack of liquidity in the secondary market which, if it were to worsen, could result in investors suffering losses on the Notes in secondary resales even if there were no decline in the performance of the Notes or the assets of the Group. The Issuer cannot predict whether these circumstances will change and, if and when they do change, how liquid the market for the Notes and instruments similar to the Notes at that time would be.

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

Change of law

The Conditions will be governed by the laws of England. No assurance can be given as to the impact of any possible judicial decision or change to the laws of England (including any change in regulation which may occur without a change in primary legislation) or applicable administrative practice (in the UK or to UK taxation law or the practice of HMRC), in each case after the date of this Prospectus. Such changes in law may include, but are not limited to, amendments to the statutory resolution and loss absorption tools and regulatory and resolution capital requirements applicable to the Issuer, the Bank, the Group and/or the Notes, which may affect the rights of Noteholders.

Legality of purchase

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

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine

whether and to what extent (i) the Notes are investments in which it may legally invest, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge by it of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in pounds sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than pounds sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of pounds sterling or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency 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 Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

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

Credit ratings may not reflect all risks

The Notes are expected to be rated "Ba3" by Moody's. The rating may not reflect the potential impact of all risks related to structure, market, the additional factors discussed above, and other factors that may affect the value of the Notes. Further, one or more credit rating agencies may from time to time release unsolicited credit ratings reports in relation to the Notes without the consent or knowledge of the Issuer. Notwithstanding that the Issuer does not have any control over such reports or analyses, and such reports or analyses could be based on incomplete information, any adverse credit rating of the Notes, whether or not solicited by the Issuer, could adversely affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In addition, EEA and UK regulated investors are generally restricted under Regulation (EC) No. 1060/2009 (the "**CRA Regulation**") and the UK CRA Regulation, as applicable, from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU or in the UK and registered under the CRA Regulation or the UK CRA Regulation, as the case may be. Such general restriction will also apply in the case of credit ratings issued by non-EU and non-UK credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered or UK-registered credit rating agency or the relevant non-EU and non-UK rating agency is certified in accordance with the CRA Regulation or UK CRA Regulation (as applicable). If the status of any rating agency rating the Notes changes, EU and UK regulated investors may no longer be able to use the rating for regulatory purposes and the Notes may have a different regulatory treatment. This may result in such investors selling the Notes, which may adversely impact the market price of the Notes and any secondary market.

The Issuer is exposed to changing methodology by rating agencies

The Issuer is exposed to changes in the rating methodologies applied by rating agencies. Any adverse changes of such methodologies may result in a change in the ratings given to the Issuer or the Notes which in turn may materially and adversely affect the Issuer's operations or financial condition and capital market standing.

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

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

TERMS AND CONDITIONS OF THE NOTES

The following, subject to alteration and completion (and save for paragraphs in italics, which are for information purposes only and do not form part of the terms and conditions of the Notes), are the terms and conditions of the Notes which will be endorsed on each Certificate in definitive form (if issued).

The £200,000,000 Fixed Rate Reset Callable Notes due 2028 (the "**Notes**", which expression shall in these terms and conditions (these "**Conditions**"), unless the context otherwise requires, include any Further Notes issued pursuant to Condition 14) of The Co-operative Bank Holdings p.l.c. (the "**Issuer**") are constituted by a trust deed (such trust deed as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 19 September 2024 (the "**Issue Date**") and made between the Issuer and Law Debenture Trustees Limited (the "**Trustee**", which expression shall include its successor(s)) as trustee for the Noteholders (as defined in Condition 1.2 below). The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed, which includes the forms of the Notes.

The Issuer has also entered into an agency agreement dated the Issue Date relating to the Notes (such agency agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") together with the Trustee, The Bank of New York Mellon SA/NV, Dublin Branch, as registrar (the "**Registrar**", which expression shall include any successor registrar appointed from time to time) and transfer agent (the "**Transfer Agent**"), The Bank of New York Mellon, London Branch as principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor principal paying agent appointed from time to time and, together with any additional paying agents appointed from time to time, the "**Paying Agents**") and the Calculation Agent (as defined herein).

Copies of the Trust Deed and the Agency Agreement (i) are available for inspection by Noteholders (by prior appointment) during usual business hours at the registered office for the time being of the Trustee, being at the date of issue of the Notes at Eighth Floor, 100 Bishopsgate, London EC2N 4AG, United Kingdom or (ii) may be provided by email to a Noteholder upon request from the Principal Paying Agent, subject in each case to the Noteholder providing evidence of a holding of Notes and identity satisfactory to the Trustee or the Principal Paying Agent (and subject to the Trustee or the Principal Paying Agent being supplied by the Issuer with an electronic and physical copy of each such document).

The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and all of those provisions of the Agency Agreement applicable to them.

1 Form, Denomination and Title

1.1 Form and Denomination

The Notes are issued in registered form in amounts of £100,000 and integral multiples of £1,000 in excess thereof (referred to as the "**principal amount**" of a Note). A note certificate (each a "**Certificate**") will be issued free of charge to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders which the Issuer will procure to be kept by the Registrar.

1.2 Title

Title to the Notes passes only by registration in the register of Noteholders. The holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will

be liable for so treating the holder. In these Conditions "**Noteholder**" and (in relation to a Note) "**holder**" means the person in whose name a Note is registered in the register of Noteholders (or, in the case of a joint holding, the joint holder whose name appears first on the register of Noteholders in respect of such joint holding (the "**representative joint Noteholder**")).

2 Transfer of Notes and Issue of Certificates

2.1 Transfers

A Note may, subject to the Conditions below, be transferred by depositing the Certificate issued in respect of that Note, with the form of transfer duly completed and signed, at the specified office of the Registrar.

2.2 Delivery of new Certificates

Each new Certificate to be issued upon transfer of Notes will, within five business days of receipt by the Registrar of the duly completed form of transfer together with a valid Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note to the address specified in the form of transfer. For the purposes of this Condition 2.2, "**business day**" shall mean a day on which banks are open for business in the city in which the specified office of the Registrar with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Notes in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Notes not so transferred will, within five business days of receipt by the Registrar of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred to the address of such holder appearing on the register of Noteholders or as specified in the form of transfer.

2.3 Formalities free of charge

Registration of transfer of Notes will be effected without charge by or on behalf of the Issuer or the Registrar but upon payment (or the giving of such indemnity as the Registrar may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

2.4 Closed Periods

No Noteholder may require the transfer of a Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest on that Note.

2.5 Regulations

All transfers of Notes and entries on the register of Noteholders will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Trust Deed. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests one.

3 Status of the Notes

3.1 Status

The Notes are direct, unconditional, unsecured, unguaranteed and unsubordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and, in the event of a

Winding-Up, will rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law.

As used in these Conditions, "**Winding-Up**" means:

(i) an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation, the terms of which reorganisation, reconstruction or amalgamation have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and do not provide that the Notes thereby become redeemable or repayable in accordance with these Conditions);

(ii) following the appointment of an administrator of the Issuer, an administrator gives notice that it intends to declare and distribute a dividend; or

(iii) liquidation or dissolution of the Issuer or any procedure similar to that described in paragraph (i) or (ii) of this definition is commenced in respect of the Issuer, including any bank insolvency procedure or bank administration procedure pursuant to the Banking Act 2009.

3.2 No Set-Off

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

4 Interest

4.1 Interest and Interest Payment Dates

The Notes bear interest on their outstanding principal amount from (and including) the Issue Date at the applicable Interest Rate from time to time in accordance with the provisions of this Condition 4. Interest shall be payable in equal instalments semi-annually in arrear on 19 March and 19 September in each year from (and including) 19 March 2025 up to (and including) the Maturity Date (each an "**Interest Payment Date**").

The first interest payment, payable on 19 March 2025, shall be in respect of the period from (and including) the Issue Date to (but excluding) 19 March 2025, and thereafter interest shall be payable in respect of each successive period from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date (each an "**Interest Period**").

The amount of interest payable on each Interest Payment Date up to (and including) the Reset Date will be £27.895 per Calculation Amount.

4.2 Interest Accrual

Each Note will cease to bear interest from (and including) its due date for redemption unless, upon due surrender of the relevant Certificate, payment of any amounts due in respect of such Note are improperly withheld or refused or unless default is otherwise made in respect of payment, in which event interest shall continue to accrue as provided in the Trust Deed.

4.3 Calculation of Interest

Where it is necessary to compute an amount of interest in respect of any Note for a period which is less than a complete Interest Period, such interest shall be calculated on the basis of (i) the actual number of days in the period from (and including) the date from which such interest begins to accrue (the "**Accrual Date**") to (but excluding) the date on which it falls due divided by (ii) two times the actual number of days from (and including) the Accrual Date to (but excluding) the next following Interest Payment Date (the "**Day Count Fraction**").

Interest shall (where required) be calculated per £1,000 in principal amount of the Notes (the "**Calculation Amount**"). Accordingly, the amount of interest payable in respect of a Note for a relevant period shall be calculated by (i) multiplying the Day Count Fraction by the product of £1,000 and the applicable Interest Rate, (ii) rounding the resultant figure to the nearest £0.01 (£0.005 being rounded upwards) and (iii) multiplying that rounded figure by a fraction the numerator of which is the principal amount of such Note and the denominator of which is £1,000.

4.4 Initial Interest Rate and Reset Interest Rate

Interest will accrue:

(a) at 5.579 per cent. per annum (the "**Initial Interest Rate**") from (and including) the Issue Date to (but excluding) 19 September 2027 (the "**Reset Date**"); and

(b) thereafter at the Reset Interest Rate,

and references in these Conditions to the "**applicable Interest Rate**" shall be construed accordingly.

The "**Reset Interest Rate**" will be determined by the Calculation Agent on the Reset Determination Date as the sum of the Reset Reference Rate and the Reset Margin, with such sum converted from an annual to a semi-annual basis by the Calculation Agent and expressed as a percentage rate per annum (rounded, if necessary, to the nearest 0.001 per cent. (with 0.0005 per cent. being rounded upwards)).

As used in these Conditions:

"**Actual/365 (Fixed)**" means, with respect to any period, the actual number of days in such period divided by 365;

"**Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for business in London and (in the case of surrender or presentation of a Certificate only) in the place in which the Certificate is surrendered or presented;

"**Calculation Agent**" means The Bank of New York Mellon, London Branch (or any alternative or successor calculation agent appointed by the Issuer for this purpose);

"**Mid-Swap Quotations**" means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on an Actual/365 (Fixed) day count basis) of a fixed for floating interest rate swap transaction in pounds sterling which (1) has a term commencing on the Reset Date which is equal to one year; (2) 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 relevant swap market; and (3) has a floating leg based on the overnight SONIA rate compounded for 12 months (calculated on an Actual/365 (Fixed) day count basis);

"**pounds sterling**" and "**£**" refer to the lawful currency of the United Kingdom from time to time;

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

"**Reset Margin**" means 2.083 per cent. per annum;

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

"**Reset Reference Bank Rate**" means the percentage rate determined on the basis of the Mid-Swap Quotations provided by the Reset Reference Banks to the Issuer (which in turn shall provide the quotations to the Calculation Agent) at or around 11.00 a.m. (London time) on the Reset Determination Date and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards). If at least four quotations are provided, the Reset Reference Bank Rate will be the rounded arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Reset Reference Bank Rate will be the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the rounded quotation provided. If no quotations are provided, the Reset Reference Bank Rate will be deemed to be equal to:

(A) the applicable annual mid-swap rate for swap transactions in pounds sterling (with a maturity equal to one year) where the floating leg pays compounded daily SONIA annually, which is calculated and published by ICE Benchmark Administration Limited or any successor thereto (GBP ICE SONIA Swap Rate or any successor rate) as displayed on the Screen Page as at 11.00 a.m. (London time) on the latest date on which such rate was so displayed; or

(B) (if for any reason the relevant Reset Reference Bank Rate cannot be determined in accordance with paragraph (A) above), 3.529 per cent. per annum;

"**Reset Reference Banks**" means six leading swap dealers in the London interbank market selected by the Issuer in its discretion;

"**Reset Reference Rate**" means, in respect of the Reset Period (and subject to Condition 4.7):

(i) the applicable annual mid-swap rate for swap transactions in pounds sterling (with a maturity equal to one year) where the floating leg pays compounded daily SONIA annually, which is calculated and published by ICE Benchmark Administration Limited or any successor thereto (GBP ICE SONIA Swap Rate or any successor rate) as displayed on the Screen Page at 11.00 a.m. (London time) on the Reset Determination Date; or

(ii) if such rate is not displayed on the Screen Page at such time and date, the Reset Reference Bank Rate on the Reset Determination Date;

"**Screen Page**" means Bloomberg screen "BPISDS05 Index", or such other screen page as may replace it on Bloomberg or, as the case may be, on such other page provided by such other information service that may replace Bloomberg, 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; and

"**SONIA**", in respect of any Business Day, is a reference rate equal to the daily Sterling Overnight Index Average rate for such Business Day as provided by the Bank of England or any successor administrator of the Sterling Overnight Index Average rate.

4.5 Determination and Notification of the Reset Interest Rate

The Calculation Agent will, as soon as practicable after 11.00 a.m. (London time) on the Reset Determination Date, determine the Reset Interest Rate and shall promptly thereafter notify the same to the Issuer, the Paying Agents, the Trustee and any stock exchange on which the Notes are for the time being listed or admitted to trading. As soon as reasonably practicable thereafter (and in any event no later than the second Business Day following the Reset Date), the Calculation Agent shall cause notice of the Reset Interest Rate to be given to the Noteholders in accordance with Condition 12.

The Reset Interest Rate so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of a manifest error, and the amended Reset Interest Rate shall promptly thereafter be notified to the Issuer, the Paying Agents, the Trustee, any stock exchange on which the Notes are for the time being listed or admitted to trading and to the Noteholders in accordance with Condition 12.

4.6 Determinations binding

All notifications, determinations and calculations made or obtained by the Calculation Agent for the purposes of this Condition 4 shall, in the absence of manifest error, be binding on the Issuer, the Trustee, the Registrar, the Paying Agents and the Noteholders and (in the absence of gross negligence, wilful default or fraud) no liability will attach to the Calculation Agent in connection with the exercise by it of any of its duties and discretions with respect to the Notes.

4.7 Benchmark Discontinuation

If the Issuer determines that a Benchmark Event occurs in relation to an Original Reference Rate (or any component part thereof, including SONIA) when the Reset Interest Rate (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the following provisions shall apply (with effect from 30 days prior to the first date when such determination is necessary).

4.7.1 Independent Adviser

The Issuer shall use its reasonable endeavours to appoint an Independent Adviser to determine, in consultation with the Issuer, a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4.7.2) and, in either case, an Adjustment Spread (in accordance with Condition 4.7.3) and any Benchmark Amendments (in accordance with Condition 4.7.4).

If, having used reasonable endeavours to appoint an Independent Adviser, the Issuer is unable so to do, or if an Independent Adviser is so appointed but fails to make all of the determinations to be made by it pursuant to this Condition 4.7, the Issuer shall nevertheless be entitled (but not obliged) to make the relevant determinations and calculations which would otherwise fall to be made by the Independent Adviser pursuant to and on the terms set out in this Condition 4.7 (and in such case references in this Condition 4.7 and related provisions of these Conditions to such determinations and calculations being made by an Independent Adviser shall be deemed to be references to such determinations and calculations being made by the Issuer).

In making such determinations and calculations pursuant to this Condition 4.7, the Independent Adviser and the Issuer (as applicable) shall act in good faith and in a commercially reasonable manner. In the absence of bad faith or fraud, neither the Issuer nor the Independent Adviser shall have any liability whatsoever to the Issuer, the Trustee, the Registrar, the Transfer Agent, the Paying Agents, the Calculation Agent or the Noteholders for any determination made by the Independent Adviser and/or the Issuer pursuant to this Condition 4.7.

If the Independent Adviser and the Issuer fail to determine a Successor Rate or, failing which, an Alternative Rate and, in either case, the Adjustment Spread in accordance with this Condition 4.7, or if the Issuer is otherwise unable to apply such determinations in respect of the Notes as provided in this Condition 4.7, in either case by the second Business Day prior to the Reset Determination Date, the provisions of Condition 4.7.6 shall apply.

4.7.2 Successor Rate or Alternative Rate

The Independent Adviser, in consultation with the Issuer, shall use its reasonable endeavours to determine a Successor Rate or Alternative Rate that is (together with the Adjustment Spread) substantially comparable to the Original Reference Rate.

For these purposes, a Successor Rate or Alternative Rate will be considered "**substantially comparable**" to the Original Reference Rate if it is a mid-swap rate that includes (i) a one-year fixed leg and (ii) a floating leg determined on the basis of (x) SONIA or, (y) if the discontinuation of the Reset Reference Rate results from a Benchmark Event in relation to SONIA, a successor rate to SONIA that is formally recommended or mandated by (in the following order of priority) (1) the Bank of England, (2) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of the Bank of England, or (3) the Financial Stability Board or any part thereof or any committee or body appointed or sponsored by it for such purpose.

If the Independent Adviser, in consultation with the Issuer, determines that:

(A) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall be used in place of the Original Reference Rate to determine the Reset Interest Rate (or the relevant component part thereof) for the Notes (subject to the further operation of this Condition 4.7); or

(B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall be used in place of the Original Reference Rate to determine the Reset Interest Rate (or the relevant component part thereof) for the Notes (subject to the further operation of this Condition 4.7).

4.7.3 Adjustment Spread

If the Independent Adviser determines a Successor Rate or an Alternative Rate, it shall also use its reasonable endeavours to determine, in consultation with the Issuer, the Adjustment Spread to be applied to the Successor Rate or the Alternative Rate (as the case may be).

4.7.4 Benchmark Amendments

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 4.7 and the Independent Adviser, following consultation with the Issuer, determines (i) that amendments to these Conditions, the Agency Agreement and/or the Trust Deed are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject as otherwise provided in this Condition 4.7 and to giving notice thereof in accordance with Condition 4.7.5 but without any requirement for the consent or approval of Noteholders, vary these Conditions, the Agency Agreement and/or of the Trust Deed to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee, the Principal Paying Agent and the Calculation Agent of a certificate signed by two Authorised Signatories pursuant to Condition 4.7.5, the Trustee, the Principal Paying Agent and the Calculation Agent shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders, whether or not such Benchmark Amendments are prejudicial to the interests of the Noteholders, be obliged to concur with the Issuer in using its reasonable endeavours to effect any Benchmark Amendments (including, *inter alia*, by the execution of a supplemental trust deed to or amending the Trust Deed), provided that the Trustee, the Principal Paying Agent or the Calculation Agent, as applicable, shall not be obliged so to concur if in the opinion of the Trustee, the Principal Paying Agent or the Calculation Agent, as applicable, doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or protective provisions afforded to it in any document to which it is party (including, for the avoidance of doubt, any supplemental trust deed) in any way.

Any such variation or modification of these Conditions, the Trust Deed and/or the Agency Agreement in accordance with this Condition 4.7 is subject to compliance with the Applicable Banking Regulations (as defined at Condition 6.4), as further provided in Condition 13.4.

In connection with any such variation or modification in accordance with this Condition 4.7, the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

Notwithstanding any other provision of this Condition 4.7, no Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected:

(i) to prejudice the qualification of the Notes as eligible liabilities instruments (as defined in Condition 6.4) or loss absorbing capacity instruments capable of counting towards any minimum requirement for own funds and eligible liabilities of the Issuer and/or any Applicable Prudential Group (as applicable) under the Applicable Banking Regulations; or

(ii) result in the Relevant Supervisory Authority treating the Reset Date (rather than the Maturity Date) as the effective maturity date of the Notes.

4.7.5 *Notices, etc.*

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 4.7 will be notified promptly following their determination and no later than the second Business Day prior to the Reset Determination Date by the Issuer to the Trustee, the Calculation Agent, the Principal Paying Agent and, in accordance with Condition 12, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Noteholders of the same, the Issuer shall deliver to the Trustee, the Principal Paying Agent and the Calculation Agent a certificate signed by two Authorised Signatories:

(A) confirming (a) that a Benchmark Event has occurred, (b) the Successor Rate or, as the case may be, the Alternative Rate, (c) the applicable Adjustment Spread and (d) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 4.7;

(B) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread; and

(C) confirming that either (a) the relevant determinations under this Condition 4.7 were made by an Independent Adviser or (b) that the Issuer was unable to appoint an Independent Adviser following reasonable endeavours to do so, and accordingly the determinations under this Condition 4.7 were made by the Issuer.

The Trustee, the Principal Paying Agent and the Calculation Agent shall be entitled to rely on such certificate (without liability or enquiry to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate, the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination thereof, and without prejudice to the Trustee's, the Principal Paying Agent's and the Calculation Agent's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Principal Paying Agent, the Calculation Agent and the Noteholders.

4.7.6 *Survival of Original Reference Rate*

If the Independent Adviser and the Issuer fail to determine a Successor Rate or, failing which, an Alternative Rate and, in either case, the Adjustment Spread in accordance with this Condition 4.7, or if the Issuer is otherwise unable to apply such determinations in respect of the Notes as provided in this Condition 4.7, in either case by the second Business Day prior to the Reset Determination Date, the Original Reference Rate, including the fallback provisions applicable thereto, shall continue to apply in respect of the Reset Period.

4.7.7 *Definitions*

As used in these Conditions:

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

(i) in the case of a Successor Rate, is formally recommended or made available as an option in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(ii) (if no such recommendation or option has been made available under (i) above, or in the case of an Alternative Rate) the Independent Adviser, following consultation with the Issuer, determines is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or

(iii) (if the Adjustment Spread cannot be determined under paragraphs (i) or (ii) above) the Independent Adviser, following consultation with the Issuer, determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or

(iv) (if the Adjustment Spread cannot be determined under paragraphs (i), (ii) or (iii) above) the Independent Adviser, in its discretion following consultation with the Issuer, determines to be appropriate having regard to the objective, so far as is reasonably practicable in the circumstances and solely for the purposes of this paragraph (iv), of reducing or eliminating any economic prejudice or benefit (as the case may be) to the Noteholders;

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser, following consultation with the Issuer, determines in accordance with Condition 4.7.2 is customarily applied in international debt capital markets transactions for the purposes of determining rates equivalent to the Reset Interest Rate (or the relevant component part thereof) in pounds sterling;

"**Authorised Signatory**" means (i) each director of the Issuer and (ii) any other person duly authorised by the Issuer as such and as confirmed in writing by the Issuer to the Trustee;

"**Benchmark Event**" means:

(i) the Original Reference Rate ceasing to exist or to be published on a permanent or indefinite basis; or

(ii) the making of a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(iii) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or

(iv) the making of a public statement by the supervisor of the administrator of the Original Reference Rate (A) that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market or (B) as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or

(v) it has or will become unlawful for the Issuer or the Calculation Agent to calculate any payment due to be made to any Noteholder using the Original Reference Rate (including, without limitation, under Regulation (EU) 2016/1011 as retained as domestic law in the United Kingdom under the European Union (Withdrawal) Act 2018, as amended),

provided that the Benchmark Event shall be deemed to occur:

(a) in the case of sub-paragraphs (ii) and (iii) above, on the date of the cessation of publication of the Original Reference Rate, or the discontinuation of the Original Reference Rate, as the case may be; and

(b) in the case of sub-paragraph (iv) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market or, as the case may be, on the date of the prohibition of use of the Original Reference Rate,

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

"**Independent Adviser**" means an independent financial institution of international repute or an independent adviser with appropriate expertise appointed by the Issuer under this Condition 4.7;

"**Original Reference Rate**" means the Reset Reference Rate (or any component part thereof), or any successor or alternative rate (or component part thereof) determined pursuant to this Condition 4.7;

"**Relevant Nominating Body**" means:

(i) the central bank for pounds sterling, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(ii) (a) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of the central bank for pounds sterling, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof; and

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

5 Payments

5.1 Payments in respect of Notes

All payments in respect of the Notes will be made in sterling and payable to the Noteholder (in the case of a joint holding of Notes, the representative joint Noteholder) appearing in the register of Noteholders in respect of the Note of which they are the holder at the close of business on the fifteenth day before the relevant due date (the "**Record Date**"). Payments of principal and payments of interest due otherwise than on an Interest Payment Date will only be made against surrender of the relevant Certificate at the specified office of the Registrar or any Paying Agent.

Payment shall be made by transfer on the due date or, if the due date is not a Business Day, on the immediately following Business Day, to a sterling account maintained by the payee with a bank or building society in the United Kingdom.

5.2 Payments subject to applicable laws

Save as provided in Condition 7, payments will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws or regulations to which the Issuer or the Paying Agents are subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements.

5.3 No commissions

No commissions or expenses shall be charged by the Issuer, the Registrar or any Paying Agent to the Noteholders in respect of any payments made in accordance with this Condition 5.

5.4 Payments on Business Days

Payment instructions (for value the due date or, if that is not a Business Day, for value the first following day which is a Business Day) will be initiated on the Business Day preceding the due date for payment or, in the case of a payment of principal or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of the Registrar or any Paying Agent.

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

5.5 Partial payments

If the amount of principal or interest which is due on the Notes is not paid in full, the Registrar will annotate the register of Noteholders with a record of the amount of principal or interest in fact paid.

5.6 Interpretation of interest

Any reference in these Conditions to "**interest**" in respect of the Notes shall be deemed to include any additional amounts which may be payable with respect to interest under Condition 7 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

6 Redemption, Substitution, Variation and Purchase

6.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as specified below, the Notes will be redeemed by the Issuer at their outstanding principal amount on 19 September 2028 (the "**Maturity Date**").

6.2 Redemption on the Reset Date at the option of the Issuer

The Issuer may, subject to Condition 6.9 and having given not less than five Business Days nor more than 30 days' notice to the Noteholders in accordance with Condition 12 (which notice shall, save as provided in Condition 6.9, be irrevocable and shall specify the date fixed for redemption), elect to redeem the Notes, in whole but not in part, on the Reset Date at an amount equal to their outstanding principal amount together with unpaid interest accrued to (but excluding) the Reset Date.

Upon the expiry of the notice referred to above the Issuer shall, subject to Condition 6.9, redeem the Notes.

6.3 Redemption for Tax Reasons

Subject to Condition 6.9, the Notes may be redeemed at the option of the Issuer, in whole but not in part, at an amount equal to their outstanding principal amount together with unpaid interest accrued to (but excluding) the date of redemption, at any time on the Issuer giving not less than 15 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (which notice shall, subject to Condition 6.9, be irrevocable and shall specify the date fixed for redemption), if the Issuer satisfies the Trustee immediately before the giving of the aforementioned notice that, as a result of any change in or amendment to (including a prospective change in or amendment to) the laws or regulations (including, without limitation, any decision, interpretation or pronouncement by any court, tribunal or relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to instruments similar to the Notes) of the Tax Jurisdiction or any change in the application or official interpretation of such laws or regulations (a "**Change in Tax Law**"), which change or amendment becomes effective on or after the Reference Date:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged either to pay additional amounts as provided or referred to in Condition 7 or to account to any taxing authority in the Tax Jurisdiction for any amount (other than tax withheld or deducted from interest payable in respect of such Notes) in respect of such payment; or

(b) interest payments under or with respect to the Notes are or would no longer be fully deductible for corporation tax purposes of the Tax Jurisdiction or any such deductions are or would be deferred,

and (in each case) such tax consequence cannot be avoided by the Issuer taking reasonable measures available to it (each a "**Tax Event**"),

provided that no such notice of redemption shall be given earlier than 90 days prior to:

(i) (in the case of (a) above) the earliest date on which the Issuer would be obliged to pay such additional amounts or make a payment in respect of which it would be obliged to

account to any taxing authority as aforesaid were a payment in respect of the Notes then due; or

(ii) (in the case of (b) above) the start of the accounting period of the Issuer in which interest payments on the Notes would cease to be so deductible.

Upon the expiry of such notice, the Issuer shall, subject to Condition 6.9, redeem the Notes.

As used in this Condition:

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

Prior to the publication of any notice of redemption pursuant to this Condition 6.3, the Issuer shall deliver to the Trustee, (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (ii) an opinion of independent legal or tax advisers of recognised standing to the effect either that such a circumstance does exist or that, upon a Change in Tax Law which at the date of such certificate has been made or is proposed to be made and in the opinion of such independent legal or tax advisers and the Issuer (based on such opinion) has become, or is reasonably expected to become, effective on or prior to the date when the relevant payment in respect of such Notes would otherwise be made, becoming so effective, such circumstances would exist.

The Trustee shall be entitled to accept and rely upon the above-mentioned certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders.

Upon the expiry of the notice referred to above, the Issuer shall, subject to Condition 6.9, redeem the Notes.

6.4 Loss Absorption Disqualification Event Redemption

Subject to Condition 6.9, the Notes may be redeemed at the option of the Issuer, in whole but not in part, at an amount equal to their outstanding principal amount together with unpaid interest accrued to (but excluding) the date of redemption, at any time on the Issuer giving not less than 15 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (which notice shall, subject to Condition 6.9, be irrevocable and which shall specify the date fixed for redemption), if the Issuer determines that a Loss Absorption Disqualification Event has occurred.

Upon the expiry of the notice referred to above, the Issuer shall, subject to Condition 6.9, redeem the Notes.

As used in these Conditions:

"**Applicable Banking Regulations**" means, at any time, the laws, regulations, requirements, guidelines, rules, standards and policies of the Relevant Supervisory Authority (whether or not having the force of law) or of the United Kingdom (or such other jurisdiction in which the Issuer, or the holding company of any Applicable Prudential Group of which the Issuer forms part, may be organised or domiciled) then in effect in the United Kingdom (or such other jurisdiction as aforesaid) relating to capital adequacy (whether on a risk-weighted, leverage or other basis), prudential supervision (including the requisite features of own funds instruments), resolution of credit institutions, investment firms and other relevant entities and/or a minimum requirement for own funds and eligible liabilities and/or loss absorbing capacity (including the requisite

features of eligible liabilities instruments) and applicable to the Issuer and/or, as applicable, any Applicable Prudential Group;

"**Applicable Prudential Group**" means, at any time, each prudential consolidation group (whether regulated on a consolidated or sub-consolidated basis) and/or resolution group of which the Issuer then forms part (whether or not such prudential consolidation and/or sub-consolidation is at the level of the Issuer or, as the case may be, whether or not the resolution entity for such resolution group is the Issuer);

As at the Issue Date, (i) the Issuer is part of the prudential group consolidated at the level of The Co-operative Bank Holdings p.l.c. and is not prudentially regulated on an individual basis or as part of a sub-consolidated group; and (ii) the Issuer is the resolution entity for the resolution group consisting of the Issuer and its subsidiaries (including the Bank);

"**Bank**" means The Co-operative Bank p.l.c.;

"**eligible liabilities instruments**" has the meaning given to it in the Applicable Banking Regulations;

"**Holding Company**" means, at any time, the ultimate holding company of the prudential consolidation group and/or resolution group of which the Issuer forms part at such time;

As at the Issue Date, the Holding Company of the prudential consolidation group and of the resolution group of which the Issuer forms part is the Issuer itself;

a "**Loss Absorption Disqualification Event**" shall be deemed to occur if, as a result of any amendment to, or change in, any Applicable Banking Regulation, or any change in the application or official interpretation of any Applicable Banking Regulation, in any such case becoming effective on or after the Reference Date, the Notes are or (in the opinion of the Issuer or the Relevant Supervisory Authority) are likely to be fully or partially excluded from the Issuer's and/or any Applicable Prudential Group's (whether on an individual or a consolidated basis) minimum requirements for (A) own funds and eligible liabilities and/or (B) loss absorbing capacity instruments, in each case as such minimum requirements are applicable to the Issuer and/or such Applicable Prudential Group (whether on an individual or a consolidated basis) and determined in accordance with, and pursuant to, the relevant Applicable Banking Regulations; *provided that* a Loss Absorption Disqualification Event shall not occur where the exclusion of the Notes from the relevant minimum requirement is due to the remaining maturity of the Notes being less than any period prescribed by any applicable eligibility criteria for such minimum requirements under the relevant Applicable Banking Regulations effective with respect to the Issuer and/or such Applicable Prudential Group (whether on an individual or a consolidated basis) on the Reference Date;

"**own funds**" and "**own funds instruments**" have the respective meanings given in the Applicable Banking Regulations; and

"**Relevant Supervisory Authority**" means, at any time, the United Kingdom Prudential Regulation Authority, the Bank of England and/or any other authority having primary supervisory authority with respect to prudential and/or resolution matters concerning the Issuer or any Applicable Prudential Group (as applicable) at such time.

6.5 Clean-up Redemption Option at the option of the Issuer

Subject to Condition 6.9 below, if, at any time after the Issue Date, 75 per cent. or more of the aggregate principal amount of the Notes originally issued (for these purposes, taking into

consideration any adjustment for effect of the statutory write-down tool pursuant to Condition 20) (and, for these purposes, any Further Notes issued pursuant to Condition 14 will be deemed to have been originally issued) has been purchased and cancelled pursuant to Conditions 6.7 and 6.8, then the Issuer may, at its option, and having given not less than 15 nor more than 30 days' notice to the Noteholders (which notice shall, subject to Condition 6.9, be irrevocable and which shall specify the date fixed for redemption), redeem the remaining Notes in whole, but not in part, at any time at an amount equal to their outstanding principal amount together with unpaid interest accrued to (but excluding) the date of redemption (the "**Clean-Up Redemption Date**"). Any such redemption of the Notes shall take place on the Clean-Up Redemption Date together with interest accrued to (but excluding) the Clean-Up Redemption Date.

Upon the expiry of the notice referred to above, the Issuer shall, subject to Condition 6.9, redeem the Notes.

6.6 Substitution or Variation

If a Tax Event or a Loss Absorption Disqualification Event has occurred, then the Issuer may, in its sole discretion but subject to Condition 6.9 and having given not less than 15 nor more than 60 days' notice to the Noteholders in accordance with Condition 12, the Trustee, the Registrar and the Principal Paying Agent (which notice shall, subject to Condition 6.9, be irrevocable and shall specify the date fixed for substitution or variation, as the case may be, of the Notes) but without any requirement for the consent or approval of the Noteholders, at any time (whether before or following the Reset Date) either substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Compliant Securities, and the Trustee shall (subject to the following provisions of this Condition 6.6 and subject to the receipt by it of the certificates referred to in the definition of Compliant Securities) agree to such substitution or variation. Upon the expiry of the notice referred to above, the Issuer shall, subject to Condition 6.9, either vary the terms of or substitute the Notes in accordance with this Condition 6.6, as the case may be.

The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution of the Notes for, or the variation of the terms of the Notes so that they remain, or as appropriate, become, Compliant Securities, provided that the Trustee shall not be obliged to participate in, or assist with, any such substitution or variation if the terms of the proposed alternative Compliant Securities or the participation in or assistance with such substitution or variation would (in the Trustee's opinion) have the effect of (i) exposing the Trustee to any liability against which it is not indemnified and/or secured and/or pre-funded to its satisfaction, (ii) increasing or adding to the obligations or duties of the Trustee or (iii) removing or reducing any protection or indemnity afforded to, or any other provision in favour of, the Trustee under the Trust Deed, the Conditions and/or the Notes. If, notwithstanding the above, the Trustee does not participate or assist as provided above, the Issuer may, subject as provided in Condition 6.9, redeem the Notes as provided in, as appropriate, Conditions 6.3 or 6.4.

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

As used in these Conditions:

"**Compliant Securities**" means securities issued by the Issuer that:

a) have terms which are not materially less favourable to an investor than the terms of the Notes (as reasonably determined by the Issuer in consultation with an investment bank or financial adviser of international standing (which in either case is independent of the Issuer), and

provided that a certificate to such effect (including as to such consultation) of two Directors of the Issuer shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without further enquiry and without liability to any person) prior to the issue or, as appropriate, variation of the relevant securities);

b) subject to paragraph (a) above:

i. contain terms which comply with the then current requirements of the Applicable Banking Regulations in order to be eligible to qualify in full towards the Issuer's minimum requirement (on an individual or consolidated basis) for own funds and eligible liabilities and/or loss absorbing capacity instruments;

ii. provide for the same applicable Interest Rate and Interest Payment Dates from time to time applying to the Notes and do not provide for interest cancellation or deferral (but without prejudice to such securities containing a provision substantially the same as Condition 20);

iii. rank (or would rank) pari passu with or senior to the ranking of the Notes;

iv. preserve any existing rights under these Conditions to any accrued interest or other amounts which have not been paid; and

v. preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption; and

c) are:

i. admitted to trading on the London Stock Exchange's main market; or

ii. listed on such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer and approved by the Trustee, such approval not to be unreasonably withheld or delayed.

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

6.7 Purchases

Subject to Condition 6.9, the Issuer or any of its subsidiaries may at any time purchase or otherwise acquire any of the outstanding Notes at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to the Registrar or any Paying Agent for cancellation.

6.8 Cancellation

All Notes which are redeemed, and any Notes which are purchased and surrendered for cancellation pursuant to Condition 6.6, shall be immediately cancelled and cannot be reissued or resold.

6.9 Redemption, Substitution, Variation and Purchase Conditions

The Issuer (and, in the case of purchases, its subsidiaries) shall not be permitted to redeem, substitute, vary or purchase the Notes prior to the Maturity Date unless the following conditions are satisfied:

(a) the Issuer has given any requisite notice to the Relevant Supervisory Authority and has (if then required by the Applicable Banking Regulations or the Relevant Supervisory Authority) obtained the Relevant Supervisory Authority's prior permission (or, as appropriate, waiver) in relation to the redemption, substitution, variation or purchase (as the case may be) of the Notes;

(b) the Issuer has complied with any other pre-conditions to, or requirements applicable to, such redemption, substitution, variation, or purchase as may be required by the Relevant Supervisory Authority or the Applicable Banking Regulations at such time, including, to the extent then so required, that the Issuer shall have demonstrated to the satisfaction of the Relevant Supervisory Authority that:

(A) the Issuer has or will have (before, or at the same time as, the relevant redemption, substitution, variation, or purchase) replaced the Notes with own funds or eligible liabilities instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or

(B) the own funds and eligible liabilities of the Issuer and/or any Applicable Prudential Group of which it forms part would, following such redemption or purchase, exceed its minimum requirements for own funds and eligible liabilities under the prevailing Applicable Banking Regulations by a margin that the Relevant Supervisory Authority considers necessary at such time; or

(C) the partial or full replacement of the Notes with own funds instruments is necessary to ensure compliance with the own funds requirements laid down in the prevailing Applicable Banking Regulations for continuing authorisation of the Issuer or any other relevant entity within any Applicable Prudential Group.

Notwithstanding the above conditions, if, at the time of any redemption, purchase, substitution or variation, the prevailing Applicable Banking Regulations only permit the repayment, purchase, substitution or variation of Notes after compliance with one or more alternative or additional pre-conditions to those set out above in this Condition 6.9, the Issuer shall comply in the alternative or in addition to the foregoing (as required by the Applicable Banking Regulations) with such other and/or, as appropriate, additional pre-condition(s).

Any refusal by the Relevant Supervisory Authority to give its permission for any redemption or purchase of the Notes shall not constitute a default for any purpose.

7 Taxation

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer will be made free and clear of, and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by, within, or on behalf of the Tax Jurisdiction (as defined in Condition 6.3), unless such withholding or deduction is required by law. In such event, the Issuer will, in respect of payments of interest (if any) only, pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of interest which would otherwise have been receivable in respect of the Notes, in the absence of such withholding or deduction, except that no such additional amounts shall be payable with respect to any Note:

(a) to, or to a third party on behalf of, a holder which is liable for such taxes, duties, assessments or governmental charges in respect of such Note by reason of it having some connection with the Tax Jurisdiction other than the mere holding of such Note; or

(b) presented or surrendered for payment (where presentation or surrender is required) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting or surrendering the same for payment on such thirtieth day; or

(c) held by or on behalf of a holder who could lawfully have avoided (but has not so avoided) such deduction or withholding by complying, or procuring that any third party complies, with any statutory requirements or by making, or procuring that any third party makes, a declaration of non-residence or other similar claim for exemption to any relevant tax authority.

As used herein, the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 12.

Notwithstanding any other provisions of these Conditions, the Agency Agreement or the Trust Deed, all payments of principal, interest and any other amount by or on behalf of the Issuer in respect of the Notes shall be made net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or any intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

8 Prescription

Claims in respect of principal and interest will become void unless made within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7 (*Taxation*) therefor.

9 Default and Enforcement

9.1 *Non-payment when due*: If default is made in the payment of any principal or interest due on the Notes or any of them on the due date and such default continues, in the case of principal, for a period of 7 days or, in the case of interest, for a period of 15 days, the Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the holders of the Notes shall, (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), without further notice, institute proceedings for the winding-up of the Issuer in England (but not elsewhere) and may prove in respect of the Notes in such winding-up, but may take no other action in respect of such default.

9.2 *Winding-Up of the Issuer*: In the event of a Winding-Up of the Issuer (whether or not instituted by the Trustee pursuant to Condition 9.1), the Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the holders of the Notes shall, (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Notes are, and they shall thereby become, immediately due and repayable at their principal amount, together with accrued and unpaid interest as provided in the Trust Deed. In

such event, the Trustee shall be entitled to prove in the Winding-Up of the Issuer and shall have no other remedy against the Issuer in respect of such default.

9.3 *Enforcement*: Without prejudice to Condition 9.1 or Condition 9.2, if the Issuer fails to perform, observe or comply with any obligation, condition or provision relating to the Notes binding on it under these Conditions (other than any payment obligations of the Issuer arising from the Notes or the Trust Deed including, without limitation, payment of principal or interest in respect of the Notes and any damages awarded for breach of obligations) the Trustee may, subject as provided below, at its discretion and without notice, institute such steps, actions and/or proceedings against the Issuer as it may think fit to enforce such obligation, condition or provision, *provided that* the Issuer shall not as a consequence of such steps, actions and/or proceedings be obliged to pay any sum or sums (whether by way of damages or otherwise) sooner than the same would otherwise have been due and payable by it.

9.4 *Rights of the Trustee*: The Trustee shall not be bound to take any steps, actions and/or proceedings referred to in Condition 9.1, Condition 9.2 or Condition 9.3 unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction in connection therewith.

9.5 *Rights of the Noteholders*: No holder of a Note shall be entitled to institute proceedings for the winding-up of the Issuer or to prove or claim in a Winding-Up of the Issuer or to take any other enforcement action against the Issuer in respect of the Notes or the Trust Deed unless the Trustee, having become bound so to proceed in accordance with Condition 9.4, fails or is unable to do so within a reasonable time and such failure or inability is continuing, in which case the Noteholder shall, with respect to the Notes held by it, have only such rights against the Issuer as those which the Trustee is entitled to exercise in respect of such Notes as set out in this Condition 9.

9.6 *Extent of Remedy*: No remedy against the Issuer, other than as referred to in this Condition 9, shall be available to the Trustee or the Noteholders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes or under the Trust Deed.

10 Replacement of Certificates

Should any Certificate be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

11 Registrar, Transfer Agent, Paying Agents and Calculation Agent

The names of the initial Registrar, Transfer Agent, Principal Paying Agent and Calculation Agent and their initial specified offices are set out below.

The Issuer is, with the prior written approval of the Trustee, entitled to vary or terminate the appointment of the Registrar and/or Transfer Agent and/or the Principal Paying Agent and/or the Calculation Agent and/or appoint additional or other Registrars and/or Transfer Agents and/or Paying Agents and/or approve any change in the specified office through which any Registrar and/or Transfer Agent and/or Paying Agent and/or Calculation Agent acts, provided that:

(a) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority);

(b) there will at all times be a Paying Agent and a Registrar; and

(c) there will be an appointed Calculation Agent at all relevant times at which a Calculation Agent is required to perform a function expressed in these Conditions to be performed by it.

Notice of any termination or appointment and of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 12.

In acting under the Agency Agreement, subject as provided therein, the Registrar, Transfer Agent, the Paying Agents and the Calculation Agent will act solely as agents of the Issuer, and will not assume any obligations or relationships of agency or trust to or with the Noteholders, except that (without affecting the obligations of the Issuer to the Noteholders to repay the Notes and to pay interest thereon) funds received by the Paying Agents for the payment of any sums due in respect of the Notes shall be held by them on behalf of the Noteholders until the expiry of the relevant period of prescription under Condition 8. The Agency Agreement contains provisions for the indemnification of the Registrar, the Transfer Agent, the Paying Agents and the Calculation Agent.

12 Notices

All notices to the Noteholders will be valid if mailed to them at their respective addresses in the register of Noteholders maintained by the Registrar. The Issuer shall also ensure that notices are duly given or published (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed and/or admitted to trading. Any notice shall be deemed to have been given on the second calendar day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

13 Meetings of Noteholders, Modification and Waiver

13.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders (including in a physical place or by any electronic platform (such as conference call or videoconference) or a combination of such methods) to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes or certain provisions of the Trust Deed or Agency Agreement. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer or the Trustee upon a requisition in writing by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being remaining outstanding (provided that in the case of the Trustee, it shall have been indemnified and/or pre-funded and/or secured to the Trustee's satisfaction). The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the principal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes (including the provisions regarding status referred to in Condition 3, modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes) or certain of the provisions of the Trust Deed (as set out in more detail in the Trust Deed), the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not

less than two-thirds, or at any adjourned such meeting not less than one-third, in principal amount of the Notes for the time being outstanding.

For the avoidance of doubt, the agreement or approval of the Noteholders shall not be required (i) in the case of any variation of these Conditions and/or the Trust Deed and/or Agency Agreement made pursuant to Condition 4.7 or Condition 13.2, or (ii) in the case of any substitution or variation of the Notes to Compliant Securities effected in accordance with Condition 6.6.

The Trust Deed provides that (i) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding or (ii) a resolution passed by way of electronic consents given by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding shall, in each case, for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. 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 Noteholders.

An Extraordinary Resolution passed at any meeting of Noteholders or in writing or by way of electronic consents will be binding on all Noteholders, whether or not they are present at the meeting or voting in favour or, as the case may be, whether or not signing the written resolution or providing electronic consents.

13.2 Modification and Waiver

The Trust Deed provides that the Trustee may agree, without the consent of the Noteholders, to:

(i) any modification (subject to certain exceptions as provided in the Trust Deed) of, or to any waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement, or may determine that any condition, event or act which, but for such determination, would constitute an event giving rise to the rights of the Trustee described in Condition 9, shall not be treated as such, which in any such case, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders; or

(ii) to any modification of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement which is, in the opinion of the Trustee, of a formal, minor or technical nature or which is made to correct a manifest error.

Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 12.

13.3 Rights of Trustee

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, determination, authorisation or substitution), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require from the Issuer, nor shall any Noteholder be entitled to claim from the Issuer, the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already

provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

13.4 Compliance with Applicable Banking Regulations

The Issuer shall comply with Applicable Banking Regulations in connection with any modification or proposed modification of these Conditions, the Trust Deed and/or the Agency Agreement, including that (if and to the extent so required by the Applicable Banking Regulations or the Relevant Supervisory Authority at such time) the Issuer shall have given any requisite notice to the Relevant Supervisory Authority and obtained the Relevant Supervisory Authority's prior permission (or, as appropriate, waiver) in relation thereto.

14 Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders, but subject to any prior permission (or, as appropriate, waiver) required from the Relevant Supervisory Authority, to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single series with the outstanding Notes ("**Further Notes**"). Any Further Notes shall be constituted by a deed supplemental to the Trust Deed.

15 Substitution

The Trustee may, without the consent of the Noteholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition 15) as the principal debtor under the Notes and the Trust Deed of the Holding Company or a Successor in Business (as defined in the Trust Deed) of the Issuer or a subsidiary of the Issuer or of the Holding Company (a "**Substitute Issuer**"), subject to certain conditions set out in the Trust Deed being complied with.

In the case of a substitution of the Issuer pursuant to this Condition 15 within the first 12 months following the Issue Date where such Substitute Issuer is (i) a Holding Company of the Issuer; and (ii) incorporated pursuant to the Building Societies Act 1986 (a "**Relevant Substitute**"), the Issuer shall have the right to (simultaneously with such substitution), without the consent of the Noteholders, amend the provisions relating to the ranking of the Notes such that they become, and rank equally with, the secondary non-preferential debt of the Relevant Substitute. The Trustee shall (at the expense of the Issuer) co-operate with the Issuer (including, but not limited to, entering into such documents or deeds (if any) as may be necessary) to give effect to, or evidence, such amendments.

After a substitution is made in accordance with this Condition 15, all references to "the Issuer" in this Condition 15 shall be construed as references to the Substitute Issuer.

As used in these Conditions:

"**Ranking Legislation**" means (i) the Building Societies Act 1986; (ii) the Insolvency Act 1986, as amended or superseded from time to time; and (iii) any other law or regulation from time to time which is applicable to the Relevant Substitute and relevant for determining the rights of members and creditors of the Relevant Substitute in a winding up or dissolution of the Relevant Substitute; and

"**secondary non-preferential debt**" has the meaning given to it (or any successor term) in the Ranking Legislation.

Any such substitution shall be binding on the Noteholders and shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 12.

The Issuer shall comply with Applicable Banking Regulations in connection with any substitution of the Issuer (or any previous substitute) under this Condition 15 including that (if and to the extent so required by the Applicable Banking Regulations or the Relevant Supervisory Authority at such time) the Issuer shall have given any requisite notice to the Relevant Supervisory Authority and obtained the Relevant Supervisory Authority's prior permission (or, as appropriate, waiver) in relation thereto.

Notwithstanding any other provision of this Condition 15, the Trustee shall not be obliged to concur with the Issuer in respect of any amendments pursuant to this Condition 15 to the Trust Deed and/or these Conditions which, in the sole opinion of the Trustee would have the effect of (i) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protections, of the Trustee in the Trust Deed, and/or these Conditions.

16 Rights of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances including provisions relieving it from instituting proceedings to enforce repayment or exercise any powers, duties, authorities or discretions unless indemnified and/or secured and/or pre-funded to its satisfaction.

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

The Trustee is not responsible for monitoring or supervising the performance by the Registrar, the Paying Agents and/or any other person of its obligations to the Issuer and may assume these are being performed unless and until it has written notice to the contrary.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of the Issuer's subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of their respective subsidiaries, (b) 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 Noteholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

Nothing in these Conditions, including Condition 3 and Condition 9, 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.

The Trustee shall not be liable for any consequences of any application of the UK Bail-in Power or any other recovery or resolution powers (in accordance with Condition 20 or otherwise) in respect of the Issuer or any of its affiliates or any Notes and shall not be required to take any action in connection therewith that would, in the Trustee's opinion, expose the Trustee to any liability or expense unless it shall have been indemnified and/or secured and/or pre-funded to its satisfaction; *provided that* nothing in this paragraph shall prevent any application of the UK Bail-in Power or any other recovery or resolution powers in respect of the Issuer or any of its affiliates or any Notes from taking effect, and each Noteholder by its acquisition of any Notes (or any interest therein), authorises and instructs the

Trustee to take such steps as may be necessary or expedient in order to give effect to any such application of the UK Bail-in Power or any other recovery or resolution powers.

17 Contracts (Rights of Third Parties) Act 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18 Governing Law

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

19 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, the Agency Agreement or the Notes and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Agency Agreement or any Notes (including any legal action or proceedings relating to non-contractual obligations arising out of or in connection with them) ("**Proceedings**") may be brought in such courts. The Issuer has, in the Trust Deed and the Agency Agreement, irrevocably submitted to the exclusive jurisdiction of the courts of England in respect of any such Proceedings. Nothing shall prevent the Trustee from bringing Proceedings in any competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions (whether concurrently or not).

20 Recognition of UK Bail-in Power

Notwithstanding, and to the exclusion of, any other term of the Notes or any other agreements, arrangements, or understandings between the Issuer and any Noteholder or beneficial owner of any Notes, by its acquisition of any Note (or any interest therein), each Noteholder (and each beneficial owner of Notes) or the Trustee on their behalf, acknowledges and accepts that the Amounts Due or any other liability arising under the Notes may be subject to the exercise of the UK Bail-in Power by the Resolution Authority, and acknowledges, accepts, consents to, and agrees to be bound by:

(i) the effect of the exercise of the UK Bail-in Power by the Resolution Authority, that may (without limitation) include and result in any of the following, or some combination thereof:

(A) the reduction of all, or a portion, of the Amounts Due;

(B) the conversion of all, or a portion, of the Amounts Due on the Notes into shares, other securities or other obligations of the Issuer or another person (and the issue to or conferral on the Noteholder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Notes;

(C) the cancellation of the Notes; and/or

(D) the amendment or alteration of the Maturity Date or amendment of the amount of interest payable on the Notes, or the date on which interest becomes payable, including by suspending payment for a temporary period; and/or

(ii) the variation of the terms of the Notes, if deemed necessary by the Resolution Authority, to give effect to the exercise of the UK Bail-in Power by the Resolution Authority.

No repayment or payment of Amounts Due on the Notes will become due and payable or be paid after the exercise of any UK Bail-in Power by the Resolution Authority if and to the extent such amounts have been reduced, converted, cancelled, suspended (for so long as such suspension or moratorium is outstanding), amended or altered as a result of such exercise.

Neither a reduction or cancellation, in part or in full, of the Amounts Due or the conversion thereof into another security or obligation of the Issuer or another person, as a result of the exercise of the UK Bail-in Power by the Resolution Authority with respect to the Issuer, nor the exercise of the UK Bail-in Power by the Resolution Authority with respect to the Notes will constitute a default for any purpose (whether under the Notes or otherwise).

Upon the exercise of the UK Bail-in Power by the Resolution Authority with respect to any Notes, the Issuer shall promptly give notice to the Noteholders, in accordance with Condition 12. Any delay or failure by the Issuer in delivering any notice referred to in this Condition 20 shall not affect the validity and enforceability of the UK Bail-in Power or constitute a default for any purpose (whether under the Notes or otherwise).

As used in these Conditions:

"**Amounts Due**" means the principal amount of, and any accrued but unpaid interest on, and any other amounts accrued or payable in respect of, the Notes. References to such amounts will include (but will not be limited to) amounts that have become due and payable, but which have not been paid, prior to the exercise of the UK Bail-in Power by the Resolution Authority;

"**Resolution Authority**" means the Bank of England and/or any other resolution authority or authorities with the ability to exercise the UK Bail-in Power or any other recovery or resolution powers in the United Kingdom in relation to the Issuer, any Applicable Prudential Group and/or the Notes; and

"**UK Bail-in Power**" means any write down, conversion, transfer, modification, moratorium and/or suspension power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of financial holding companies, mixed financial holding companies, banks, banking group companies, credit institutions and/or investment firms incorporated in the United Kingdom in effect and applicable in the United Kingdom to the Issuer or other members of any Applicable Prudential Group, including (but not limited to) any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a resolution regime in the United Kingdom under the Banking Act 2009, as the same may be amended or superseded from time to time.

21 Definitions

As used herein:

"**Accrual Date**" has the meaning given to it in Condition 4.3;

"**Actual/365 (Fixed)**" has the meaning given to it in Condition 4.4;

"**Adjustment Spread**" has the meaning given to it in Condition 4.7.7;

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

"**Alternative Rate**" has the meaning given to it in Condition 4.7.7;

"**Amounts Due**" has the meaning given to it in Condition 20;

"**Applicable Banking Regulations**" has the meaning given to it in Condition 6.4;

"**applicable Interest Rate**" has the meaning given to it in Condition 4.4;

"**Applicable Prudential Group**" has the meaning given to it in Condition 6.4;

"**Authorised Signatory**" has the meaning given to it in Condition 4.7.7;

"**Bank**" has the meaning given to it in Condition 6.4;

"**Benchmark Amendments**" has the meaning given to it in Condition 4.4;

"**Benchmark Event**" has the meaning given to it in Condition 4.7.7;

"**Business Day**" has the meanings given to it in Conditions 2.2 and 4.4, as applicable;

"**Calculation Agent**" has the meaning given to it in Condition 4.4;

"**Calculation Amount**" has the meaning given to it in Condition 4.3;

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

"**Change in Tax Law**" has the meaning given to it in Condition 6.3;

"**Clean-Up Redemption Rate**" has the meaning given to it in Condition 6.5;

"**Code**" has the meaning given to it in Condition 7;

"**Compliant Securities**" has the meaning given to it in Condition 6.6;

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

"**Day Count Fraction**" has the meaning given to it in Condition 4.3;

"**eligible liabilities instruments**" has the meaning given to it in Condition 6.4;

"**FATCA Withholding**" has the meaning given to it in Condition 7;

"**Further Notes**" has the meaning given to it in Condition 14;

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

"**Holding Company**" has the meaning given to it in Condition 6.4;

"**Independent Adviser**" has the meaning given to it in Condition 4.7.7;

"**Initial Interest Rate**" has the meaning given to it in Condition 4.4;

"**interest**" has the meaning given to it in Condition 5.6;

"**Interest Payment Date**" has the meaning given to it Condition 4.1;

"**Interest Period**" has the meaning given to it Condition 4.1;

"**Issue Date**" has the meaning given to it in the preamble;

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

"**Loss Absorption Disqualification Event**" has the meaning given to it in Condition 6.4;

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

"**Mid-Swap Quotations**" has the meaning given to it in Condition 4.4;

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

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

"**Original Reference Rate**" has the meaning given to it in Condition 4.7.7;

"**own funds**" has the meaning given to it in Condition 6.4;

"**own funds instruments**" has the meaning given to it in Condition 6.4;

"**Paying Agents**" has the meaning given to it in the preamble;

"**pounds sterling**" and "**£**" have the meaning given to them in Condition 4.4;

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

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

"**Proceedings**" has the meaning given to it in Condition 19;

"**Ranking Legislation**" has the meaning given to it in Condition 15;

"**Record Date"** has the meaning given to it in Condition 5.1;

"**Reference Date**" means the later of (i) the Issue Date and (ii) the latest date (if any) on which any Further Notes have been issued pursuant to Condition 14;

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

"**Relevant Date**" has the meaning given to it in Condition 7;

"**Relevant Nominating Body**" has the meaning given to it in Condition 4.7.7;

"**Relevant Substitute**" has the meaning given to it has the meaning given to it in Condition 15;

"**Relevant Supervisory Authority**" has the meaning given to it in Condition 6.4;

"**representative joint Noteholder**" has the meaning given to it in Condition 1.2;

"**Reset Date**" has the meaning given to it in Condition 4.4;

"**Reset Determination Date"** has the meaning given to it in Condition 4.4;

"**Reset Interest Rate**" has the meaning given to it in Condition 4.4;

"**Reset Margin**" has the meaning given to it in Condition 4.4;

"**Reset Period**" has the meaning given to it in Condition 4.4;

"**Reset Reference Bank Rate**" has the meaning given to it in Condition 4.4;

"**Reset Reference Banks**" has the meaning given to it in Condition 4.4;

"**Reset Reference Rate**" has the meaning given to it in Condition 4.4;

"**Resolution Authority**" has the meaning given to it in Condition 20;

"**Screen Page**" has the meaning given to it in Condition 4.4;

"**secondary non-preferential debt**" has the meaning given to it has the meaning given to it in Condition 15;

"**SONIA**" has the meaning given to it in Condition 4.4;

"**substantially comparable**" has the meaning given to it in Condition 4.4;

"**Substitution Event**" has the meaning given to it in Condition 6.6;

"**Successor Rate**" has the meaning given to it in Condition 4.7.7;

"**Tax Event**" has the meaning given to it in Condition 6.3;

"**Tax Jurisdiction**" has the meaning given to it in Condition 6.3;

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

"**Trustee**" has the meaning given to it in the preamble;

"**UK Bail-in Power**" has the meaning given to it in Condition 20; and

"**Winding-Up**" has the meaning given to it in Condition 3.1.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

1. Global Certificate

The Notes will be evidenced on issue by the Global Certificate (deposited with, and registered in the name of a nominee (the "**registered holder**") for, a common depositary for Euroclear and Clearstream, Luxembourg).

Interests in the Global Certificate may be held only through Euroclear or Clearstream, Luxembourg at any time. See "*Book-Entry ownership*". By acquisition of an interest in a Global Certificate, the purchaser thereof will be deemed to represent, among other things, that it is not a U.S. person and that, if it determines to transfer such beneficial interest prior to the expiration of the 40 day distribution compliance period, it will transfer such interest only to a person whom the seller reasonably believes to be a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S.

Interests in the Global Certificate will be subject to certain restrictions on transfer set forth therein and in the Trust Deed and the Global Certificate will bear a legend regarding such restrictions substantially to the following effect:

"**THIS GLOBAL CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND THE ISSUER HAS NOT BEEN REGISTERED AS AN "INVESTMENT COMPANY" UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "1940 ACT"). NEITHER THIS GLOBAL CERTIFICATE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND UNDER CIRCUMSTANCES WHICH DO NOT REQUIRE THE ISSUER TO REGISTER UNDER THE 1940 ACT.**"

Except in the limited circumstances described below, owners of interests in the Global Certificate will not be entitled to receive physical delivery of certificated Notes in definitive form (the "**Definitive Note Certificates**"). The Notes are not issuable in bearer form.

2. Amendments to the Conditions

The Global Certificate contains provisions that apply to the Notes that it represents, some of which modify the effect of the Conditions of the Notes. The following is a summary of those provisions:

Payments

Payments due in respect of Notes shall be made to or to the order of the registered holder and such payment will discharge the obligations of the Issuer in respect of the relevant payment under the Notes. Each Accountholder (as defined below) must look solely to Euroclear or Clearstream, Luxembourg as the case may be, for its share of each payment made to or to the order of the registered holder.

Notices

For so long as all of the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be

given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative accountholders rather than by publication as required by Condition 12 (*Notices*) provided that, so long as the Notes are admitted to listing or trading on any stock exchange, such notice (if such notice is required) is also given in a manner which complies with the rules and regulations of such stock exchange or other relevant authority. Any such notice shall be deemed to have been given to the Noteholders on the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Record Date

For so long as all Notes are held in Euroclear and Clearstream, Luxembourg, the Record Date shall be determined in accordance with Condition 5.1 (*Payments in respect of Notes*) provided that the words "fifteenth day" shall be deemed to be replaced with "ICSD Business Day". "**ICSD Business Day**" means a day on which the Clearing Systems are open for business.

Calculation of Interest

For so long as all of the Notes outstanding are represented by the Global Certificate, interest will be calculated in respect of the aggregate principal amount of the Notes represented by the Global Certificate (and not per £1,000 in principal amount of Notes as provided in Condition 4.3 (*Calculation of Interest*)) but otherwise in accordance with Condition 4 (*Interest*).

Transfers

Book-entry interests in the Notes represented by the Global Certificate are transferable only in accordance with, and subject to, the provisions hereof and the rules and operating procedures of Euroclear and Clearstream, Luxembourg. Transfers of such book-entry interests will be effected through the records of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants.

3. Exchange for and transfers of Definitive Note Certificates

Registration of title to Notes in a name other than that of the nominee for the common depositary of Euroclear and Clearstream, Luxembourg will be permitted only if both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business or do in fact do so and no alternative clearing system satisfactory to the Trustee is available.

Thereupon, the holder of the Global Certificate (acting on the instructions of one or more of the Accountholders) may give notice to the Issuer of its intention to exchange the Global Certificate for definitive Note Certificates on or after the Exchange Date (as defined below).

On or after the Exchange Date, the registered holder may surrender the Global Certificate to or to the order of the Registrar. In exchange for the Global Certificate, the Registrar will deliver, or procure the delivery of, definitive Note Certificates printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Global Certificate, the Issuer will procure that it is cancelled and, if the registered holder so requests, returned to the registered holder together with any relevant definitive Note Certificates.

For these purposes, "**Exchange Date**" means a day specified in the notice requiring exchange falling not less than 10 days after that on which such notice is given and being a day on which banks are open for general business in the place in which the specified office of the Registrar is located.

Subject as provided in the following paragraph, until the exchange of the whole of the Global Certificate as aforesaid, the registered holder hereof shall in all respects be entitled to the same benefits as if he were the registered holder of definitive Note Certificates, representing the Notes for the time being represented by the Global Certificate, in the form set out in Part 2 of Schedule 1 to the Trust Deed.

4. Euroclear and Clearstream, Luxembourg

References herein to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.

5. Book-entry ownership

For so long as all of the Notes are represented by the Global Certificate and such Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (each an "**Accountholder**") (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Notes for all purposes (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders) other than with respect to the payment of principal, premium (if any) and interest on such Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the registered holder of the Global Certificate in accordance with and subject to its terms and the terms of the Trust Deed.

6. Redemption, purchase, and cancellation or substitution of Notes

On any redemption, purchase and cancellation or substitution thereof for Compliant Securities (as defined in Condition 6.6) of any of the Notes represented by the Global Certificate, details of such redemption or purchase and cancellation or substitution (as the case may be) shall be entered by or on behalf of the Registrar in the Register and such entry shall be signed by or on behalf of the Registrar. Upon any such redemption, purchase and cancellation or substitution the principal amount outstanding of the Global Certificate and the Notes held by the registered holder of the Global Certificate shall be reduced by the principal amount of such Notes so redeemed, purchased and cancelled or substituted. The principal amount outstanding of the Global Certificate and of the Notes held by the registered holder of the Global Certificate following any such redemption, purchase and cancellation or substitution as aforesaid or any exchange as referred to above shall be the outstanding principal amount most recently entered in the Register.

7. Prescription

Claims against the Issuer in respect of principal and interest on the Notes represented by the Global Certificate will become void after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 7 (*Taxation*)).

USE AND ESTIMATED NET AMOUNT OF PROCEEDS

The proceeds of the issue of the Notes will be on-lent to the Bank by way of the Issuer subscribing for the Intra-Group Notes to be issued by the Bank.

The Notes are intended to count towards the Group's MREL resources, and the Intra-Group Notes are intended to count towards the MREL resources of the Bank and the Banking Group. This will further strengthen the Group's and the Bank's loss absorbing capacity base.

The net proceeds of the Notes may be used, in whole or in part, (i) to repurchase or refinance existing debt, including pursuant to the tender offer announced by the Issuer in relation to its £200,000,000 Fixed Rate Reset Callable Notes due 2025 (the "**Tender Offer**") on 10 September 2024 and/or (ii) for general corporate purposes.

The Issuer and the Bank also intend that the Bank will use an amount equal to the net proceeds of issue of the Notes (expected to amount to approximately £199,460,000) for the purposes of advancing loans to customers for financing and/or refinancing, in whole or in part, Eligible Green Assets as set out in the Group's "*Green, Social and Sustainability Financing Framework*" dated February 2022, as such framework may be amended from time to time (the "**GSS Framework**"). The Bank will be able to use an amount equal to the net proceeds against Eligible Green Assets that fall within the eligible categories and meet the eligibility criteria (as set out in the GSS Framework) which have occurred within the 24-month period preceding the issue date of the Notes and/or against future Eligible Green Assets within the 12-month period following the issue date of the Notes.

The Notes, for the purposes of the Group's GSS Framework, have been classified as a "green debt instrument" issuance and thus the Issuer and the Bank intend that the Bank will invest an amount equal to the net proceeds of the Notes in Eligible Green Assets (being green buildings and energy efficiency) taking into account investments in these categories over a 36-month period, from within 24-months preceding the Issue Date and 12-months following the Issue Date.

The GSS Framework may be viewed on the Group's website at: *https://www.co-operativebank.co.uk/pdfs/bank/investorrelations/GSS-Framework.pdf*.

An independent opinion (the "**Second Party Opinion**") has been obtained from ISS ESG and may be viewed on the Group's website at: *https://www.co-operativebank.co.uk/assets/pdf/bank/investorrelations/GSS-Framework-second-party-opinion.pdf*.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of the GSS Framework or the Second Party Opinion and in particular as to whether any Eligible Green Assets will fulfil any green, environmental, sustainability, social or other criteria applied by any investor or other party. The Second Party Opinion is not a recommendation to buy, sell or hold the Notes. Prospective investors in the Notes are recommended to read the risk factor entitled "*The Notes may not be a suitable investment for all investors seeking exposure to green assets*" herein.

Neither the GSS Framework nor the Second Party Opinion is incorporated in, and they do not form part of, this Prospectus.

OVERVIEW OF THE ISSUER AND THE GROUP

Incorporation, etc.

On 13 July 2017, The Co-operative Bank Holdings p.l.c. (previously known as The Co-operative Bank Holdings Limited and Balloon Street Holdings Limited) (the "**Issuer**"), was incorporated as a private company limited by shares in England and Wales with registration number 10865342. The Issuer is the holding company of the Group. The Issuer re-registered as a public limited company on 13 May 2024.

The main purpose of the Issuer is to facilitate the issuance by the Group of own funds instruments and other MREL-eligible instruments, to operate as the 'resolution entity' subject to resolution powers for the Group and to act as a holding company of the Group.

As of the date of this Prospectus, the Issuer has the following series of notes outstanding:

a) the £200,000,000 Fixed Rate Reset Callable Notes due 2025 originally issued by The Co-Operative Bank Finance p.l.c. ("**FinanceCo**") on 27 November 2020;

b) the £250,000,000 Fixed Rate Reset Callable Notes due 2027 originally issued by FinanceCo on 6 April 2022;

c) the £200,000,000 Fixed Rate Reset Callable Notes due 2028 originally issued by FinanceCo on 24 May 2023; and

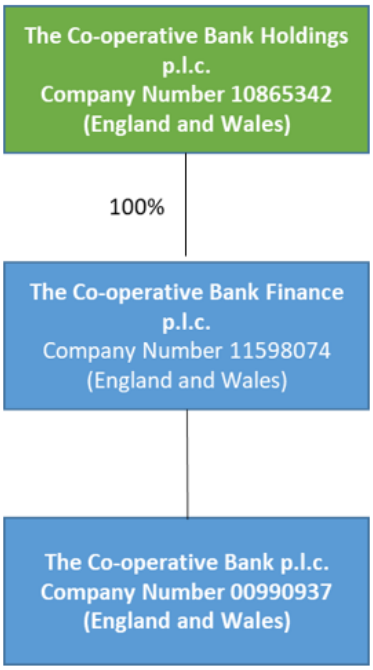
d) £200,000,000 Fixed Rate Reset Callable Subordinated Tier 2 Notes due 2034 issued by the Issuer on 22 November 2023,

together, the "**Existing Notes**".

The Issuer has its registered office at 1 Balloon Street, Manchester M4 4BE, United Kingdom. The Group's website address is *https://www.co-operativebank.co.uk/*. Any information contained on the Group's website does not form part of this Prospectus unless explicitly incorporated by reference into this Prospectus.

FinanceCo continues to be as at the date of this Prospectus, a wholly owned subsidiary of the Issuer and, since 11 February 2019, has been the holder of the entire issued share capital of The Co-operative Bank p.l.c. (the "**Bank**").

The primary Group structure as at the date of this Prospectus is set out below:



No assets other than holding of the FinanceCo shares, (indirectly) the Bank shares and certain intra-group financing arrangements

As at 30 June 2024, the Issuer's assets constituted its holding of the FinanceCo shares (an indirect investment in the Bank's ordinary shares) of £333.0 million together with £0.2 million of loans and advances to banks (cash deposits held by the Bank) and £951.2 million of intercompany assets relating to the pass-through of MREL and own funds instruments, equating to total assets of £1,284.4 million. As at the date of this Prospectus, the Issuer's assets constitute its indirect investment in the Bank's ordinary shares and cash deposits with the Bank, together with its investment in certain Tier 2 and other MREL-eligible securities issued to the Issuer by the Bank, funded by the Existing Notes. The proceeds of the issue of the Notes will be on-lent to the Bank by way of the Issuer subscribing for the Intra-Group Notes to be issued by the Bank. For further information, please refer to "Use and Estimated Net Amount of Proceeds" above. As at the date of this Prospectus, the Issuer has no liabilities or equity other than the Existing Notes and its fully paid-up share capital and retained earnings. The Issuer will also incur liabilities in respect of the Notes upon issue.

Directors of the Issuer and the Bank

The articles of association of the Issuer as in force as at the date of this Prospectus provide that, unless otherwise determined by an ordinary resolution of the Issuer, the number of its directors shall comprise a maximum of twelve. The articles of association of the Issuer entitle its B Shareholders (as defined therein) to designate any two directors as B Directors (as defined therein) and for the membership of the Board at all times to comprise up to two B Directors, a majority of independent directors (including the Chair of the Board) and the chief executive officer and may include the chief financial officer and/or the chief operating officer of the Issuer from time to time.

The Boards of Directors of the Issuer and the Bank are comprised of the same directors. The directors of the Issuer and the Bank as at the date hereof, and their designations on the Boards, are as follows:

Director	**Designation**	**Principal activities outside the Group that are significant with respect to the Issuer or the Bank**

Robert "Bob" Graham Dench	Chair	Trustee of Charities Aid Foundation
Nicholas "Nick" Stuart Slape	Chief Executive Officer	None
Glyn Michael Smith	Senior Independent Director	Chair of West Bromwich Building Society Pension Trustee
Susan "Sue" Elizabeth Harris	Non-Executive Director (independent)	Senior Independent Director at Clarkson Plc, member of the Remuneration Committee and Chair of Audit and Risk Committee at Clarkson Plc. Non-executive Director and Chair of the Audit Committee at FNZ (UK) Ltd. Non-Executive Director of Schroders & Co. Limited and Chair of the Audit and Risk Committee of Schroder's Wealth Management Division. Non-Executive Director and member of the Audit Committee of Barclays Pension Funds Trustees Limited.
Ranjit "Raj" Singh	Non-Executive Director (independent)	Independent Non-Executive Director of Allied Irish Banks, p.l.c, and member of the Risk and Sustainability committees. Independent Non-Executive Director and member of the Audit Committee of Vanguard Group (Ireland) Limited. Independent Non-Executive Director of Vanguard Investment Series Plc and Vanguard Funds Plc. Independent Non-Executive Director of AXA UK Plc, AXA UK Insurance Plc and AXA PPP Healthcare Limited and Chair of their Combined Risk Committee. Independent advisor for Accredere AG Switzerland.
Edward Sebastian Grigg	B Director (non-executive)	Director of South Molton Street Capital Limited. Elected hereditary member of the House of Lords.
Richard James Slimmon	B Director (non-executive)	Chairman, Financial Institutions Group at Gleacher Shacklock LLP
Fiona Jane Clutterbuck	Non-Executive Director (independent)	Non-Executive Chair, Chair of the Nomination Committee and member of the Risk and Compliance Committee and Remuneration Committee of A J Bell Plc.
Mark Parker	Non-Executive Director (independent)	Director of Talkbiznow Ltd and Parker Consulting Group Limited
Louise Britnell	Chief Financial Officer	None

The business address of each of the above directors is 1 Balloon Street, Manchester M4 4BE, United Kingdom. There are no potential conflicts of interest between the duties to the Issuer or the Bank of the directors listed above and their private interests or other duties.

As of the date of this Prospectus, the Issuer's company secretary is Catherine Green (who is also the company secretary for the Bank).

Accounting and reporting cycle

The Issuer prepares annual financial statements for each financial year ended 31 December and condensed consolidated interim financial statements for each six-month period ended 30 June. The independent auditors for the Issuer for the financial year ended 31 December 2024 are PricewaterhouseCoopers LLP who took over from Ernst & Young LLP on 3 June 2024. The Issuer's audited annual financial statements for the financial years ended 31 December 2022 and 31 December 2023 (each of which is incorporated by reference in this Prospectus) were audited by Ernst & Young LLP.

Recent Developments

The Bank announced in December 2023 that it had entered into exclusive discussions with Coventry Building Society ("**Coventry**") regarding a possible acquisition by Coventry of the Issuer (the "**Potential Acquisition**"). On 18 April 2024 a joint RNS announcement (incorporated by reference in this Prospectus) was made in respect of the Potential Acquisition. This announcement was followed by a joint RNS announcement (incorporated by reference in this Prospectus) made on 24 May 2024, which confirmed the entry into a sale and purchase agreement among the B Shareholders and Coventry, pursuant to which Coventry will acquire the entire issued share capital of the Issuer (the "**Acquisition**"). Upon completion of the Acquisition, an integration period will begin during which the Issuer will continue to operate under the Co-operative Bank name and branding while the work to finalise integrated services is completed (the "**Integration Period**"). The Bank will maintain its own banking licence during the Integration Period. There can be no assurance that the Acquisition will complete. The Acquisition will be subject to the satisfaction of certain conditions, including the receipt of appropriate regulatory clearances. As at the date of this Prospectus, the Acquisition is expected to complete in the first quarter of 2025. See further "*Risk Factors - The Bank could be subject to a consolidation, merger, acquisition or sale transaction, possibly in the near term, which could increase competitive pressures and/or materially impact the Bank in other ways"*.

OVERVIEW OF THE BANK

The Co-operative Bank's history began in 1872, as the Loans and Deposits department of Co-operative Wholesale Society, and it has operated ever since to provide consumers with a real alternative to larger retail banks. The Bank adopted its present name in 1993 and its registered office is 1 Balloon Street, Manchester M4 4BE, United Kingdom and website address is https://www.co-operativebank.co.uk/.

The Bank's vision is to be an efficient and financially sustainable UK retail and small to medium-sized enterprises ("**SME**") bank that is distinguished by its values and ethics. The Co-operative Bank lends money to fund home ownership in the UK, support local small and medium-sized businesses and charitable causes which matter to its customers.

The Bank's distinctive ethical brand has its heritage in the values and ethics of the co-operative movement. As 'the original ethical bank', the Bank's unique customer-led ethical policy (the "**Ethical Policy**") has been central to the way it has done business for over 30 years and represents a clear point of difference that sets the Bank apart from its competitors. The Bank remains the only UK high street bank with a customer-led ethical policy.

The Ethical Policy continues to be a key reason why customers join the Bank. It sets out the way the Bank does business, who it will and will not provide banking services to and what issues it will support and campaign on. The Bank continues to promote its unique customer-led ethical banking brand as an attractive option to a broad audience of retail and SME customers, who are seeking an ethical banking provider. Further details on the Ethical Policy and its commitment to co-operative values and ethics of the Bank can be found at https://www.co-operativebank.co.uk/values-and-ethics/.

As at 30 June 2024, the Group had total assets of £26,108.0 million (31 December 2023: £26,071.3 million, 31 December 2022: £28,132.8 million) and approximately 2.6 million customers which are serviced through a network of 50 branches, two customer contact centres and digital banking channels (online and mobile banking).

The Bank focuses on two market segments in the UK market:

Retail –

- Personal current accounts for retail customers
- Fixed and variable saving products for retail customers
- Residential and buy-to-let mortgages for retail customers
- Credit cards and overdraft facilities for retail customers

SME –

- Business current accounts, deposits and lending tailored to SMEs

Credit ratings

The Bank is currently rated "BB+" (long-term senior unsecured, rating watch positive) and "B" (short-term) by Fitch; and "Baa3" (long-term senior unsecured rating, rating review for upgrade) and "P-3" (short-term) by Moody's. The Issuer is rated "Baa3" (unsecured and positive outlook) and "NP" (short-term) by Moody's.

STRATEGY

The Bank's business model is low-risk, with the majority of assets being low loan-to-value mortgages. As a result, the Bank is well placed to withstand a downturn in the economy. However, the Bank remains alert to economic risks generally.

In September 2021, the Board approved a financial plan for the planning period from 2022 to 2026, which was designed to enable the Bank to fulfil its long-term strategic target of establishing sustainable advantage. The strategy outlined two key phases, "Growth and Efficiency" and "Embed and Expand".

In the "Growth and Efficiency" phase, which covered the period until the end of 2023, the Bank fully restored all remaining regulatory capital buffers and focused on continuing to generate organic capital through continued profitability, all whilst delivering for its customers and colleagues. The Bank made significant progress in its Simplification Programme with the migration of its mortgage and savings customers to modern, resilient, scalable IT systems that enable its growth plans. The programme was materially completed in the first half of 2024.

The Bank entered the second phase of its strategy at the start of 2024, being "Embed & Expand". The Board approved a five-year strategy and financial plan (the "**Plan**"), covering the period from 2024 to 2028. The strategy is built around the Bank's growth pillars: current accounts and deposits; and mortgages and SME lending, which are underpinned by two growth enablers: operating model transformation; and ESG and ethical banking propositions.

The Bank's long-term goals remain consistent with those outlined in prior plans, including establishing a sustainable advantage by trusting in the Bank's customer-led Ethical Policy, its co-operative values and its committed colleagues, whilst removing cost and income inhibitors. The refreshed purpose and visions sets out the ways in which the Bank will continue to build the future of the Bank to ensure it remains as a thriving, ethical bank at the heart of its community, right where it started 150 years ago.

Key financial pillars of the Plan include:

(a) improving revenues and net interest margin;

(b) reducing operational costs to decrease total statutory costs;

(c) investing resources to unlock and diversify future growth in the current account, mortgage and SME franchises, thereby de-risking the future of the Bank;

(d) maintaining CET1 requirements, leverage ratio regulatory expectations, capital requirements and MREL requirements; and

(e) increasing the return on tangible equity as a measure of shareholder value accretion.

As the Bank currently meets its overall capital requirements, it does not require the Plan to be approved by the PRA.

The Plan is based upon the Bank continuing as a standalone entity, and may be subject to change in the context of the proposed acquisition of the Issuer (and, indirectly, the Bank) by Coventry Building Society as described in "*Recent Developments*" and *Risk Factors - The Bank could be subject to a consolidation, merger, acquisition or sale transaction, possibly in the near term, which could increase competitive pressures and/or materially impact the Bank in other ways.*

The key capital and operational components of the Plan and accompanying assumptions include, but are not limited to:

- increasing the Bank's mortgage assets. The remainder of Retail assets, such as Unsecured Loans and Credit Cards, represent a small portion of the Bank's total assets and are not expected to grow significantly relative to mortgages, where growth in the customer balance sheet is expected to be driven through increased lending. The Bank continually reviews options to maximise revenue streams across the asset base whilst improving the current product and service offering for customers;

- growth in customer liabilities as the Group refinances TFSME obligations which have contractual maturities starting in 2024. Retail liability balance growth is targeted from 2024 following a managed decline in term deposits in 2022 to reduce cost of funds, and outflows in Retail current accounts in 2023 as a result of cost of living pressures and increased market switching competition. SME account volume growth is driven by improvement in the Bank's product offering and servicing as a result of investment in the Bank's proposition;

- growing NIM driven by Bank of England base rate rises which have resulted in significant retail and SME liability margin widening through 2022 and 2023, churn of the banks structural hedge over the plan period onto higher fixed rates, and continued growth of low cost SME liabilities;

- increasing efficiency in the Bank's operating cost base, and reducing franchise investment upon completion of consolidation of the Bank's mortgage and savings systems, thereby reducing the Bank's total statutory costs after an increase in 2023 primarily driven by inflationary pressures;

- maintaining a low risk and strong credit quality asset portfolio whilst diversifying revenue sources. The Plan does not assume growth in Unsecured Loans, except for steady growth in Credit Cards and conventional SME assets (standard SME lending products excluding BBLS and CBILS) as the Bank seeks to diversify its offerings and help support income growth. Total SME asset balances are expected to increase steadily across the plan as conventional SME asset growth replaces government backed SME lending, via the BBLS and CBILS programmes introduced to support the economy during and after the Covid-19 pandemic. Due to the steady growth in these products and, coupled with a strong credit quality mortgage portfolio, the Bank continues to assume a low projected asset quality ratio relative to its peers. Modestly sized diversification into areas such as higher risk, specialist mortgages and larger sized SME lending from 2024 are not expected to drive a material increase in the Bank's cost of risk. The Plan assumes no further redress and associated remediation costs are required for any conduct risk issue above existing conduct risk provisions;

- delivery of the Bank's reprioritised strategic projects on time and to budget, with the majority of investment in project expenditure expected in the early years of the Plan. A number of key deliverables have already been delivered, such as the full IT separation from Co-operative Group, the completion of the Desktop Transformation Programme (as further described below), and delivery of enhanced SME capability supported by Capability and Innovation ("**C&I**") funding, and insourcing of mortgage operations from Capita. The Simplification Programme was also materially completed in the first half of 2024, with the consolidation of the Bank's mortgage and savings systems delivered. Key deliverables remaining include other revenue generative initiatives, together with completion of a number of regulatory and mandatory projects;

- completing refinancing of MREL-qualifying debt within the planning period, in order to maintain compliance with MREL plus all buffer requirements.

A summary of the actual metrics for the period ending 30 June 2024 and the key targets for the year ended 31 December 2024 are outlined in the table below:[1]

Targets	30 June 2024 Actual	31 December 2024 Targets
NIM(1)	184bps	c.185bps
Total Statutory Costs(2)	£220.2m	c.£410m
ROTE(3)	3.1 per cent.	
Asset Quality Ratio(4)	(2.9)bps	<5bps
CET1 Ratio	19.7 per cent.	Medium term target of 15-17 per cent.
Core Customer Assets	£20.5bn	c.£20-21bn
Capital buffers	Compliant	Maintained
MREL	Compliant	Maintained
PRA Buffer guidance	Compliant	Maintained

Notes:

(1) NIM is calculated as annual net interest income over average interest earning assets.

(2) Statutory costs include BAU, projects and exceptional costs for the Bank. 2024 guidance excludes transaction related costs.

(3) ROTE is calculated as profit after tax divided by average tangible net asset value.

(4) Asset Quality Ratio is calculated as impairments divided by average gross loans and advances.

1 These targets are not statements of historical fact nor are they forecasts or guarantees of future performance. Rather, they are targets based on current management views and assumptions that involve known and unknown risks, uncertainties and other factors that are subject to change and which may cause the actual results, performance, achievements or developments of the Bank or the industry in which it operates to differ materially from any targeted future results, performance, achievements or developments expressed or implied from the forward looking targets. These targets have not been subject to an audit by the Bank's independent auditors or any other professional advisers.

BUSINESS OVERVIEW

PRODUCT OFFERING

The Bank operates through "The Co-operative Bank", "Britannia" and "smile" brands, together with the Bank's intermediary mortgage brand, "The Co-operative Bank for Intermediaries" (previously known as "Platform"), offering a customer-centric product range that is designed to be simple, clear, fair and transparent.

Retail Deposits

Current Accounts

As at 30 June 2024, the Bank had 'franchise' current account balances of £5.0 billion (31 December 2023: £5.1 billion).

Savings

As at 30 June 2024 the Bank had £10.9 billion of retail savings balances (31 December 2023: £10.6 billion).

Retail Lending

Mortgage Lending and Insurance

As at 30 June 2024, the Bank had a total outstanding mortgage portfolio of £19.3 billion (31 December 2023: £19.1 billion), of which £18.0 billion was categorised as prime residential excluding buy-to-let (31 December 2023: £17.6 billion). Of this, 3.3 per cent was interest only (3.1 per cent. as at 31 December 2023). The total buy-to-let outstanding mortgage portfolio was £1.3 billion (31 December 2023: £1.4 billion). The average mortgage LTV on the core mortgage book was 55.8 per cent. as at 30 June 2024 (31 December 2023: 55.7 per cent.).

The Platform brand was replaced with "The Co-operative Bank for Intermediaries" on 25 September 2023, following the successful implementation of a new mortgage origination system.

The Bank's mortgage lending supports its customers' home ownership aspirations and needs throughout their different life stages. Lending can take the form of either prime residential lending (where the borrower is the owner and occupier of the mortgaged property and meets the Bank's credit requirements for prime lending) or buy-to-let lending (which are loans advanced to borrowers who intend to let the mortgaged property).

The Bank currently offers fixed rate and variable rate mortgages. Fixed rate mortgages have a set rate for an initial set period, after which the rate either reverts to the Bank's standard variable rate (which is set at the Bank's discretion), or a rate linked to the Bank of England base rate.

The Bank's fixed rate mortgages currently offer a term of two, three, five or ten years, with the fixed rate charged determined by the loan-to-value ratio and fixed rate duration of the mortgage in question.

Overall, the Bank's mortgage proposition continues to be focused on mainstream mortgage lending, supporting what are typically defined as 'prime' customers.

The Bank's strategy is to continue originating new mortgage business via the intermediary market, through authorised brokers or intermediaries through the Co-operative Bank for Intermediaries (previously Platform)

brand with a view to enhancing the product offering into wider customer segments thus reducing, in turn, its reliance on more price-sensitive customers.

The Co-operative Bank for Intermediaries brand operates a dedicated brand within the UK intermediary market and is currently focused on prime residential mortgages and buy-to-let lending. This offers flexibility to the Bank in terms of market participation, product and pricing. Intermediaries range from large UK companies to small independent mortgage advisers. The Bank holds extensive relationships with intermediaries across the UK. Intermediary lending is expected to remain the Bank's primary retail mortgage origination channel.

The Bank continues to offer a home insurance proposition through a referral arrangement with LV (Liverpool Victoria).

In 2023, the Bank successfully insourced its mortgage operations from Capita with a new mortgage platform deployed and the migration of all mortgage customers from the intermediary mortgage platform completed in February 2024.

On 5 September 2023, the Bank acquired the mortgage portfolio of Sainsbury's Bank p.l.c. ("**Sainsbury's**") comprising approximately 3,500 customers with balances of around £479 million. The customers of the Sainsbury's mortgage portfolio acquired were migrated to the Bank mortgage system in June 2024, with legal title transferring to the Bank.

Unsecured Lending

The Bank's unsecured lending portfolio consists of credit cards and overdraft facilities. The Bank currently offers a small range of credit cards and an overdraft proposition to new and existing customers.

Credit cards

As at 30 June 2024, the Bank's retail credit card portfolio contained receivables of £0.2 billion (£0.2 billion as at 31 December 2023).

Overdrafts

Overdrafts are offered to customers with current accounts with the Bank. In line with peers in the market, the Bank offers two types of overdraft; arranged overdrafts and unarranged overdrafts.

Personal unsecured loans

The Bank exited the direct loans market in April 2018. In November 2019, the Bank launched a loans proposition through a strategic partnership with Freedom Finance. The Bank acted as a credit broker with customers being introduced to a provider from a chosen panel of lenders. The loans previously completed are not on the Bank's balance sheet. This contract was terminated on 19 January 2024.

SME Banking

The Bank currently serves approximately 95,000 SME customers as at 30 June 2024, the majority of which are smaller UK businesses, Co-operatives, Credit Unions and community organisations.

As at 30 June 2024, the Bank had £3.2 billion of SME customer deposit balances (31 December 2023: £3.3 billion).

As at 30 June 2024, the Bank had £0.4 billion loans outstanding to SME customers, including CBILS, and BBLS assets (31 December 2023: £0.4 billion).

Other

In addition to the Bank's current product offering, the Bank also has a relatively small stock of historical residential mortgage loans (the "**Optimum Portfolio**") that were advanced to borrowers who self-certified their income and to other borrowers who do not meet the Bank's current prime or Buy to Let borrower credit requirements. The Optimum Portfolio's size has reduced to £13.0 million as at 30 June 2024 following a series of de-leveraging transactions between 2015 and 2021.

FINANCIAL POSITION

Capital

The Group has a strong capital position and this is demonstrated by the following key ratios as at 30 June 2024, 31 December 2023 and 31 December 2022, which are in excess of the minimum levels set by the regulator:

	30 June 2024	31 December 2023	31 December 2022
CET1 ratio (per cent.)	19.7	20.4	19.8
Total Capital (per cent.)	23.8	25.3	23.8
MREL[1] (per cent.)	13.2	13.7	9.4
Tier 2 (per cent.)[2]	4.0	4.9	4.0
Total Capital Resources (£m)[3]	1, 180.7	1,209.0	1,146.6
Leverage Ratio (PRA) (per cent.)	4.1	4.1	4.0
Total Equity (£m)	1,393.1	1,409.0	1,299.0

[1] Calculated as eligible liabilities instruments divided by Risk Weighted Assets

[2] Tier 2 refers to the Group's total tier 2 regulatory capital resources.

[3] 31 December 2023 does not include impact of dividend paid in May 2024.

Funding & Liquidity

The Group's funding structure remains robust with the Group's twelve month average liquidity coverage ratio ("**LCR**") as at 30 June 2024 at 197.4 per cent., with 79 per cent. (or £19.1 billion) of funding from customer liabilities and 21 per cent. (or £5.0 billion) from wholesale funding, the majority of which is low-cost government funding in the form of TFSME drawings with contractual maturities in 2024 and 2025.

The Group's total liquidity resources as at 30 June 2024 were £5,698.3 million (31 December 2023: £6,112.5 million and 31 December 2022: £7,482.5 million). The Group is focused on maintaining a high percentage of liquid assets that are high-quality and the table below analyses the liquidity portfolio by product and unencumbered liquidity value. The liquidity portfolio is categorised into primary and secondary (other liquid assets and contingent liquidity).

Primary liquid assets include cash and balances at central banks and other high-quality government bonds (all are eligible under EBA regulations (High-Quality Liquid Assets)).

Secondary liquidity assets comprises unencumbered liquid investment securities not included as part of primary liquidity, as well as other forms of contingent liquidity sources (mortgage and corporate collateral).

Liquidity of the Group – primary & secondary *(£m)*	**30 June 2024**	**31 December 2023**	**31 December 2022**
Operational balances with central banks	2,434.7	2,489.3	5,045.3
Gilts	575.4	341.3	24.0
Central government and multilateral development bank bonds	1,079.5	1,232.0	517.6
Total primary liquid assets	4,089.6	4,062.6	5,586.9
Other liquid assets	0.0	162.3	248.1
Contingent liquidity	1,608.7	1,887.6	1,647.5
Total secondary liquid assets	1,608.7	2,049.9	1,895.6
Total liquidity	5,698.3	6,112.5	7,482.5
Average balance	5,863.2	6,311.7	7,738.1

RISK MANAGEMENT OF THE BANK

Risk Governance

The Board of Directors (the "**Board**") of the Bank oversees and approves the Bank's Risk Management Framework ("**RMF**") and is supported by the Risk Committee ("**RC**") of the Bank. The RC's purpose is to review the Bank's principal risk categories and risk appetite, report its conclusions to the Board for approval, and oversee the implementation of the RMF, whilst anticipating changes in business conditions. The RMF's supporting risk policies and control standards include consideration of the Group's risk appetite, where appropriate.

There is a formal structure for identifying, reporting, monitoring and managing risks. This comprises, at its highest level, risk appetite statements which are set and approved by the board and are supported by granular risk appetite measures across the principal risk categories. This is underpinned by an RMF that sets out the high level policy, standards, roles, responsibilities, governance and oversight for the management of all principal risks.

Risk Management

Responsibility for Risk Management resides at all levels within the Bank and is supported by Board- and management-level committees. A 'three lines of defence' model is deployed on the following basis:

- *First Line* - All executives and senior leaders of the Bank are responsible for owning and managing all risks within defined appetites, complying with risk policies and control standards, ensuring supporting procedures are documented and maintained using the Group's risk and control self-assessment, and are responsible for reporting the performance, losses, near-misses and status of risks through governance;

- *Second Line* - The Risk function acts as the Second Line of defence. The Risk Framework Owners ("**RFOs**") are responsible for setting Risk Policies, Control Standards, Bank-wide procedures and risk

appetite. RFOs sit within the Second Line, with the exception of some specialist areas where the RFO sits within First Line (for example Legal, Financial Reporting and People), the Second Line Risk Function will provide oversight over the RFO activities in such cases; and

- *Third Line* - The Internal Audit function assesses the adequacy and effectiveness of the control environment and independently challenges the overall management of the RMF.

Information Technology

The Bank appointed a new Chief Information Officer on 2 October 2023. The Bank continues to invest in its digital transformation journey, moving to a flexible, cloud-based provision with re-usable components whilst increasing online capabilities for retail and business banking customers and improving its product set and onboarding journeys (which are new to the Bank). This is in line with the Group's overall simplification strategy where the Group is working with its key partners to reduce the complexity of its technological estate and ensure its technology continues to be efficient to change, cost effective, compliant with applicable regulations and secure.

As the use of digital banking continues to grow in the UK (in particular mobile banking usage), the Bank is also continuing to improve its customer digital experiences with a recently updated retail digital banking app enabling the Bank to deliver future improvements in a more agile manner at a reduced cost.

The Bank is also continuing to invest in technology to enable its employees to work effectively, whether from home, one of the Bank's centres or with a hybrid approach.

In the first half of 2024, the Bank completed the migration of mortgage customers from heritage Britannia, WMS and Sainsbury's systems on to one Co-operative Bank mortgage platform and all the Britannia savings customers on to the Bank's mainframe (the "**Simplification Programme**"). Upon the completion of the Simplification Programme legacy system decommission activity in 2024, the Group's IT application estate will be reduced by 20 per cent. in size. The ongoing reductions in size have already enabled the Group to exit four data centres in 2024, two of which are owned or leased by the Bank and two which relate to the exiting of the Capita (WMS) Agreement. This will also enable the Bank to remove approximately 40 per cent. of the Bank's legacy IT systems ("**Technical Debt**").

LITIGATION

Mortgages

The Bank, in selling regulated mortgages, must adhere to specific guidelines, principles and regulations.

In 2014, the Bank identified a number of issues and defects in certain of its historical mortgage documentation which raised legal and conduct risks, including breaches of the FCA's Mortgage Conduct of Business rules. The Bank's Mortgages Bulk Remediation and Redress programme (the "**MBRR**") was set up to address these.

The MBRR was the 'skilled persons' review into potential detriment to the Bank's mortgage customers arising from poor arrears handling. The Bank completed the recommendations from this review and implemented enhanced policies and processes which are designed to deliver improved customer outcomes. This remediation programme has been completed.

Between 2014 and October 2018, both the MBRR and the programme which succeeded it in September 2016, the Mortgage Rectification and Redress programme (the "**MRR**"), sought to address issues relating to: (i) arrears fees and charges; (ii) incorrect application of terms and conditions to borrowers' accounts; (iii) early repayment charges; (iv) discount rate expiry; (v) "Platform" first payments; (vi) issues arising in relation to FG17/4 and the auto capitalisation of arrears; (vii) CCA further advances; and (viii) incorrect calculation of monthly payments on one of the Bank's mortgage systems. The accounts of all customers impacted by the above issues were, in accordance with the Bank's Remediation Programme Redress Standards, remediated and customers redressed accordingly. The MRR has been completed and was closed down formally at the end of October 2018 but there is the risk that the Bank or the FCA may identify further issues which require remediation work. Since the completion of the major mortgage remediation programmes in 2018, new mortgage related issues have been identified, including simultaneous and non-simultaneous porting of mortgages where early repayment charges were incorrectly charged or not refunded respectively, and remediated at a total cost of £6.3 million.

As at the date of this Prospectus it is not possible for the Issuer or the Bank to confirm that additional issues relating to the Bank's mortgage documentation will not be uncovered which could impact the financial condition of the Issuer or the Bank. See further the risk factor "*The Bank is currently involved in litigation and may in the future become involved in further litigation. The outcome of any legal proceedings is difficult to predict*").

In November 2023, the Group received two final decisions from the FOS that partially upheld complaints brought by customers regarding historical changes to the Standard Variable Rate ("**SVR**") within a closed book of mortgages acquired by the Group as part of its merger with the Britannia Building Society in 2009. In light of these decisions, the Group's Board approved proposals from management to take proactive steps concerning other closed-book SVR mortgage customers, regardless of whether or not they had complained. It was concluded that eligible closed-book SVR customers impacted by the decisions will be partially refunded interest charged historically in line with the Bank's obligations under the FCA's complaint handling rules. Accordingly, in its 2023 Annual Report and Accounts, the Group recognised a provision of £28.9 million (2022: £nil) in respect of its best estimates of interest rate refunds, compensatory interest, and the cost to deliver a proactive redress scheme that the Group has set out in discussions with key stakeholders. The Group anticipates settling the vast majority of this liability during 2024. Within the parameters of the agreed redress scheme, the Group considers there to be a relatively low degree of estimation uncertainty. This notwithstanding, there remain a number of uncertain contingent events that could lead to increases in the provision recognised. The Group does not currently consider additional outflows probable.

<u>PPI</u>

For a number of years, the Bank, along with many other financial services providers, sold PPI alongside mortgage and non-mortgage credit products. The Bank stopped selling unsecured loan PPI in January 2009, credit card PPI in November 2009 and mortgage PPI in March 2012. However, products still exist within the Bank which will include an element of PPI from historical sales.

In line with industry practice, provisions were made in respect of customer complaints relating to the historical mis-selling of PPI, though following the FCA's time-bar which came into effect on 29 August 2019 and the subsequent completion of complaint handling, the majority of the liability that existed under the FCA's rules (specifically the FCA's policy statement 10/12 dated August 2010, which detailed how the FCA expects banks to investigate PPI complaints) has been extinguished.

As at 31 December 2023, the Bank no longer held a provision for PPI claims.

In November 2014, the Supreme Court handed down a decision in *Plevin v Paragon Personal Finance Ltd [2014] UKSC 61*. The decision concerned the lack of disclosure to the customer by Paragon of the commission amounts received in respect of sales of PPI.

In response to this, the FCA published new rules and guidance on the handling of complaints in light of the *Plevin* decision, with firms required to pay redress to customers in cases where a certain level of commission was received by the firm but was not disclosed to the customer both at the point of sale and throughout the life of the product.

Since the implementation of the FCA's rules and guidance, following the *Plevin* decision, the Bank has received a low volume of PPI litigation claims as opposed to complaints from customers regarding the disclosure of commission. Customers are able to claim for a higher level of compensation via litigation than they would otherwise have been awarded via a complaint under the FCA rules and guidance. The time-bar only applies to complaints, and the Bank has continued to receive a low level of litigation claims since the time-bar came into effect. The Bank is aware that following the time-bar, certain law firms and claims management companies are advertising the litigation route and that this has garnered some media interest.

FDM letter of claim

In May 2023, the Bank received a letter of claim from FDM Solicitors acting on behalf of an individual voluntary arrangement ("**IVA**") supervisor. The letter was dated 31 January 2023 but had previously been sent to an inactive email account. The letter was passed to the Bank's legal department in July 2023. The letter alleges that the Bank has breached the Dispute Resolution provisions in the FCA Handbook in failing to deal with PPI complaints/enquiries properly prior to the FCA complaint deadline. The alleged claim is unquantified but the letter refers to 769 alleged issues affecting 352 debtors. Some of the alleged issues date back a number of years. The Bank's legal team have considered the allegations with the Bank's Remediation and Compliance teams and have prepared a response to the letter of claim. However, the Bank's legal team were made aware by FDM in May 2024 that new IVA supervisors had been appointed. The Bank is awaiting details of those supervisors before sending the response to the letter of claim.

GLO

The Bank was informed in January 2023 of a potential application by Harcus Parker Limited ("**Harcus Parker**") for a Group Litigation Order ("**GLO**") on behalf of a number of claimants for PPI test cases. The Bank was notified as a 'potential respondent' or 'interested party'. The GLO application was subsequently issued against 8 respondents (not including the Bank). The hearing has been listed for 7-9 October 2024.

Bulk PPI claims

On 14 February 2024, the Bank, along with 25 other firms, was served with a 'bulk' PPI claim from Harcus Parker on behalf of approximately 600 claimants in the name of 'Beale' (the first named claimant). 21 of the

claimants are Bank customers. Harcus Parker have made an application for the claim to be stayed until after the outcome of the GLO and the Bank has agreed to this in principle.

On 18 June 2024, the Bank, along with 21 other firms, was served with a further 'bulk' PPI claim from Harcus Parker on behalf of 825 claimants in the name of 'Brabham' (the first named claimant). 53 of the claimants are Bank customers. The Bank has agreed that the time for filing its defence is extended until agreement or further order.

On 3 July 2024, Harcus Parker wrote to the Bank to confirm that a further "bulk" PPI claim, in the name of Baker (the first named claimant), was filed at court on 20 June 2024. 1 claimant is a Bank customer. Harcus Parker confirmed that they intend to make an application to join the Brabham, Beale and Baker claims to the GLO.

Data Subject Access Requests (DSARs)

On 30 September 2023, the Bank received a letter from Harcus Parker on behalf of 10,046 individuals who they say may have a PPI claim against the Bank. The purpose of the letter is to raise a data subject access request ("**DSAR**") on behalf of those individuals and to request that the Bank enter into a standstill agreement in respect of any claims from those individuals, whilst it carries out the DSAR request. The Bank has carried out a review of a sample of 100 of the individuals, and less than 10 per cent. were Bank customers with a PPI policy who have not previously received full redress. The Bank, via its external solicitors, responded to Harcus Parker on 10 October 2023 to request a revised list of individuals who have a potential claim against the Bank for which Harcus Parker have specific limitation concerns, before it considers entering into a standstill agreement. The Bank sent a further letter to Harcus Parker on 18 October 2023, explaining why it was not appropriate for the Bank to process a DSAR for the individuals listed. Further letters were received from Harcus Parker on 12 and 19 January 2024 with a refined list of approximately 8,000 individuals. The Bank was in the process of considering those requests when it became aware that the electronic letters of authority provided by Harcus Parker were no longer accessible. The Bank wrote to Harcus Parker on 6 February 2024 to inform them that it would be unable to continue its consideration of their requests and correspondence unless/until the access issue was rectified. The Bank received a further letter from Harcus Parker on 24 June 2024 asking the Bank to review 350 DSARs or to provide specific information in relation to those customers. The Bank provided its response to Harcus Parker on 5 August 2024.

Separately to the above, the Bank received a letter from Harcus Parker on 19 June 2024 relating to approximately 2,000 customers of the Bank in relation to whom Harcus Parker say that Allay Claims has previously sought confirmation of whether that customer held PPI. Harcus Parker now seek confirmation of the data previously provided by the Bank, or purport to make a new DSAR. The Bank responded to the letter, raising queries and seeking further information, on 26 June 2024.

CCA

In compliance with the Consumer Credit Act 1974 (the "**CCA**"), the Bank is obliged to send loan account customers annual statements and, where accounts are in default, notices of sums in arrears. Those documents must be sent at specific times and must also comply with the information requirements for such documents which are contained within the CCA's associated regulations. Historically, the Bank failed to comply with some of its obligations under the CCA (in relation to both its secured and unsecured books).

As a result, the Bank engaged in the process of a redress and remediation programme to ensure that all impacted (and open) customer accounts were remedied in accordance with the provisions of the CCA and all customers whose accounts were closed received sufficient financial redress. This redress and remediation programme has now been completed.

Since the redress and remediation programme concluded, the Bank has uncovered further CCA breaches which it is currently working to investigate and, where appropriate, remediate. It is not considered that any of these remediation exercises, should they occur, will result in material financial redress.

As at the date of this Prospectus it is not possible for the Issuer or the Bank to confirm that additional CCA breaches will not be uncovered moving forward which could impact the financial condition of the Bank.

MATERIAL CONTRACTS

The following is a summary of contracts (not being entered into in the ordinary course of business) which have been entered into by the Bank or its subsidiaries (i) within the two years immediately preceding the date of this Prospectus and which are material; or (ii) which contain any provision under which the Bank or its subsidiaries has any obligation or entitlement which is material to the Bank as at the date of this document.

IBM and Kyndryl Outsourcing Agreements

On 23 January 2015, the Bank entered into a contract with IBM (the "**Enterprise Services Contract**") to provide a new infrastructure and migrate its business and technical applications from the shared infrastructure with the wider group of The Co-operative Group into IBM managed data centres and receive a full suite of managed services, enabling:

(a) improved IT infrastructure and resilience, including the provision of demonstrable disaster recovery capability; and

(b) separation of the Bank's IT systems from those of the Co-operative Group.

At the time of signing, the contract anticipated that the Bank would pay IBM a one-time charge to lead and implement the transition of the applications and services to the IBM data centres.

The managed services under the Enterprise Services Contract run for an initial 10 year period (with options to terminate throughout the life of the contract) and include service management services (such as incident and problem management, operational change management, service level management, asset management, configuration management, IT service continuity and infrastructure design authority services), service desk services, infrastructure services (such as server provisioning), enterprise computing – extended infrastructure services (such as batch operations service, data transport services, database management services and middleware management services), enterprise computing – hosting services (such as a backup and restore service, data centre facilities service, mainframe service, infrastructure disaster recovery service and storage service), network services (such as a managed LAN service), IT security services (such as web application firewalls, managed firewall service, secure web gateway, security information and event management service, vulnerability management service, intrusion detection and prevention and compliance management), and technology currency and refresh services.

The scope of the Enterprise Services Contract (and associated one-off charges) has changed and increased over time due to many factors such as requirements for further assistance in respect of separation, additional requirements relating to the infrastructure and further clarity over additional services which needed to be migrated from Co-operative Group. Initial migration was completed and the managed services formally commenced in February 2017. Monthly run charges consist of a fixed cost element (management, main frame batch and data centre local area network), variable "price x quantity" charges (mainframe components and mid-range servers) and commissioning/decommissioning charges.

On 30 September 2019, the Bank entered into an amendment to the Enterprise Services Contract under which the Bank agreed:

(a) subject to certain exceptions, that it will, for the period from 30 September 2019 to the expiry of the Enterprise Services Contract (currently anticipated to expire on until March 2026) source any replacement or new requirement for IT infrastructure services from IBM (provided that, in relation to any new requirement, IBM can provide the requirement and are competitive in the market);

(b) to minimum charges commitments for infrastructure resource charges and consulting and project charges; and

(c) to the increase of termination charges.

On 27 August 2021, the Bank entered into a novation agreement with IBM and Kyndryl UK Limited ("**Kyndryl**"), under which IBM's rights and obligations in respect of the provision of infrastructure services were novated from IBM to Kyndryl (the "**Transfer**"). From completion of the Transfer:

(a) the Enterprise Services Contract with IBM was amended and restated to reflect only the services provided by IBM from that date. The Bank's obligation to meet the annual minimum commitment for consulting and project charges remains under the Enterprise Services Contract as amended and restated but has been fulfilled up to and including 2026; and

(b) a new contract, substantially based on the terms of the Enterprise Services Contract, was entered into between the Bank and Kyndryl (the "**Kyndryl Enterprise Services Contract**"). The Bank's obligation to meet minimum commitment for infrastructure charges now sits under this agreement.

On 31 July 2024, the Bank entered into an amendment to the Kyndryl Enterprise Services Contract for the transition of Kyndryl's provision of certain existing managed infrastructure services to a resource augmentation model utilising both Bank personnel and Kyndryl personnel operating under the Bank's control and supervision. As part of the amendment, the minimum commitment for infrastructure charges has been removed but replaced with a monthly minimum charge for resource augmentation. Significant termination charges will apply in the event of termination prior to January 2032 with the termination charges reducing over time.

CFS Management Services Limited 2006 Services Agreement

On 16 February 2006, the Bank and CFS Management Services Limited ("**CFSMS**") entered into an agreement pursuant to which CFSMS provides assets such as office equipment, materials and office space, other facilities and services, as well as consultants who act as secondees to the Bank, in order that Bank can carry on its business. In addition, CFSMS can request Bank to provide assets and its employees to CFSMS (the "**2006 Services Agreement**").

This is a cost-based agreement (including an appropriate share of employer contributions to the pension and share of any other payments CFSMS may be required to pay to the pension scheme by the trustees) terminable by CFSMS on a minimum of six months' notice. The Bank has limited rights to terminate, namely, with CFSMS' consent and where CFSMS is subject to a change of control. Following notice of termination there is a run-off period of (i) up to 12 months (unless a longer period is agreed between the parties) following termination in respect of CFSMS provided assets and consultants; and (ii) up to 3 months (unless a longer period is agreed between the parties) following termination in respect of Bank provided assets or employees.

The Bank provides CFSMS with an unlimited indemnity for: (i) all liabilities, losses, damages, costs and expenses of any nature incurred by CFSMS as a result of CFSMS entering into the 2006 Services Agreement, providing assets and consultants and performance of the services by the assets and consultants; (ii) all losses, claims, damages and expenses (including all legal fees) in relation to any infringement or alleged infringement of any intellectual property rights suffered by CFSMS as a result of CFSMS' or the Bank's use or possession of the Materials (such "**Materials**" being deliverables created or provided by the supplier or a consultant in relation to the services, the supplier materials and the third party materials) or any part thereof; and (iii) all claims and proceedings brought by any person in respect of any loss, damage or distress to that person or in the exercise of that person's statutory rights by reason of any wrongful disclosure, use or destruction of any protected data by the Bank or any consultant or breach of its obligations or warranties under data protection provisions of the agreement. CFS's decision on disputes between the Bank and CFSMS is final and binding.

There has been a progressive separation of employees, assets and third-party services shared with CFSMS and its group undertaken since 2014. The Bank's use of infrastructure shared with CFSMS and its group ended on completion of IT separation from Co-operative Group in January 2020 but the 2006 Services Agreement has not yet been formally terminated. Following termination, the Bank will continue to hold a contingent liability in relation to the indemnity provided.

The Co-operative Group - Data Protection Agreement

The Bank and Co-operative Group entered into a data processing agreement in 2015 (the "**Data Protection Agreement**"), which has three purposes:

(i) to create a legal obligation on both the Bank and Co-operative Group to provide to each other, and to each other's subcontractors, the data that is necessary to carry out the Bank and Co-operative Group IT separation programmes. This includes all data held by each of the parties' group members, which for Co-operative Group includes all of Co-operative Group's subsidiary undertakings;

(ii) to establish an appropriate data protection and security framework for the disclosure and processing of data in order to facilitate the completion of the separation programmes; and

(iii) to provide an appropriate data protection and security framework for all other disclosures or processing of data that is taking place between Co-operative Group and the Bank, and their group members, in relation to which no written agreement containing adequate data protection provisions currently exists.

On 18 June 2015, the Bank (as data importer) and Co-operative Group (as data exporter) entered into a data processing agreement (for transfers outside EEA) utilising the "model clauses" adopted by the EU commission in respect of transfers of data in relation to activities to separate the data of each of the parties.

In addition, an enduring confidential information and personal data processing agreement dated 3 July 2017 between the Bank, CFSMS, The Co-operative Banking Group Limited, CIS General Insurance Limited and Co-operative Group was entered into (the "**Enduring Agreement**"). The Enduring Agreement covers specified databases containing shared information belonging to the parties where it is not possible to separate the information using reasonable means. Under the Enduring Agreement each party that holds information in a data set will be provided with a copy of the relevant database and the Enduring Agreement sets out the basis upon which the parties may access the database and deal with both confidential information and personal data of data subjects contained within the databases.

On 2 December 2020, the Bank entered into a deed of amendment and restatement to the Enduring Agreement whereby Markerstudy Insurance Services Limited and Affinity Insurance Solutions Limited acceded as parties following the sale of CIS General Insurance Limited to the Markerstudy Group of companies. The amended and restated agreement sets out the framework for which the acceding entities would have access to the databases holding shared information.

Bank and Banking Competition Remedies Limited - Incentivised Switching Agreement

On 18 January 2019, the Bank and Banking Competition Remedies Limited (the "**BCR**") entered into an Incentivised Switching Agreement ("**Switching Agreement**") setting out the terms on which the Bank was to participate in the offer of account switching Williams & Glyn (part of the RBS Group) business banking customers.

The Switching Agreement was entered into in connection with the alternative remedies package agreed between HM Government and the European Commission to replace the original state aid commitment on the RBS to divest its Williams & Glyn business.

Under the terms of the Switching Agreement, the Bank granted an unlimited indemnity in favour of RBS, the BCR and their respective representatives against all loss, payments, costs, expenses, damage, actions, claims or demands (including any loss of profit or indirect or consequential loss or any loss of goodwill or possible business after termination of the Switching Agreement, whether actual or prospective) which RBS, the BCR and/or their respective representatives may incur or suffer in relation to or arising out of: (A) the performance of its obligations under or in connection with the Switching Agreement; (B) the content of (including any untrue statement contained in) the company offering or any other communication materials or conduct of the Bank in relation to the incentivised switching scheme; (C) the Bank's use of the personal data of target customers; (D) any conduct of the Bank in relation to a target customer; (E) any failure by the Bank to comply with applicable law, the terms of the Switching Agreement including its schedules and related terms & conditions; (F) any breach of, or failure by the Bank to comply with, "know your customer" or other similar checks required under anti-money laundering regulations and all other applicable laws in relation to any target customer that transfers to the Bank; (G) any matters relating to the treatment of a target customer after they have transferred any products or services to the Bank; and/or (H) the fraud, negligence or wilful default of the Bank.

Bank and Banking Competition Remedies Limited - Capability and Innovation Fund Agreement

On 30 June 2019, the Bank and Banking Competition Remedies Limited ("**IB**") entered into a Capability and Innovation Fund Agreement ("**C&I Agreement**") with the BCR following the Bank's successful application for a grant of £15 million from the Capability and Innovation Fund. The purpose of the £425 million Capability and Innovation Fund is to encourage eligible bodies, including challenger banks and FinTechs, to (i) develop and improve their capability to compete with RBS in the provision of banking services to SMEs and (ii) develop and improve the financial products and services which are available to SMEs.

Under the terms of the C&I Agreement, the Bank grants an indemnity, capped at the amount of funding received by the Bank, in favour of the IB and its representatives against all loss, payments, costs, expenses, damage, actions, claims or demands (including any loss of profit or indirect or consequential loss or any loss of goodwill or possible business after termination of the C&I Agreement, whether actual or prospective) which the IB and/or its representatives may incur or suffer in relation to or arising out of: (A) the performance of its obligations under or in connection with the C&I Agreement; (B) the content of (including any untrue statement contained in) the Bank's application documents; (C) the use of the funding amount by the Bank; (D) any failure by the Bank to comply with applicable law or the terms of the C&I Agreement including the related terms and conditions; or (E) the fraud, negligence or wilful default of the Bank.

CORPORATE GOVERNANCE OF THE BANK

Directors

The Boards of Directors of the Issuer and the Bank are comprised of the same directors. See "*Overview of the Issuer and the Group – Directors of the Issuer and the Bank above for further details*".

Board Committees

The Bank board has established board committees, namely the Risk Committee, the Values & Ethics Committee, the Remuneration Committee and the Nomination Committee.

The boards of the Issuer, FinanceCo and the Bank have established a joint Audit Committee.

All Bank board committees and the joint Audit Committee have terms of reference describing the authority delegated to such committee by the board. Each of these committees has a role in ensuring effective oversight by the board of the Bank and its subsidiaries.

Executive Committee

Whilst the Bank's board is responsible for approving the strategy, implementation of that strategy and daily management of the Bank's own business is delegated to the senior executives of the Bank who form the Bank's Executive Committee. Including the Chief Executive Officer and Chief Financial Officer, there are eight members of the Bank's Executive Committee and two standing invitees, each with significant industry experience and leadership expertise in their responsible function.

Ownership and Material Shareholdings

The Bank is a public limited company with £500,000,000 Series 2024-1 Floating Rate Covered Bonds due 21 June 2027 in issuance. Its equity is not listed.

As at the date of this Prospectus, the Bank's sole shareholder is FinanceCo. The Issuer is the sole shareholder of FinanceCo.

As at the date of this Prospectus, the B Shareholders of the Issuer own 89.99 per cent. of A shares. As at the date of this Prospectus, the B Shareholders of the Issuer are:

B Shareholders	Percentage of B Shares
Anchorage Illiquid Opportunities Offshore Master V.L.P	18.07
SP Coop Investments, Ltd	28.92
Goldentree Asset Management Lux S.A.R.L.	16.88
Cyrus Opportunities Master Fund II Ltd	12.05
Invesco Asset Management Limited for and on behalf of its discretionary managed clients via The Bank of New York Nominees Limited	12.05
JCF BC Manchester Acquisition Ltd	12.05

Shareholders

The Issuer's share capital is divided into Class A ordinary shares of £0.0001 each (the "**A Shares**") and Class B redeemable preference shares of £0.01 each (the "**B Shares**"). The A shares are entitled to dividends to be paid out of the profits of the Issuer, but the B Shares do not carry any right to participate in the profits of the Issuer, except as provided for on a Bank Exit (any transaction or arrangement which results in the Issuer ceasing to be the Bank's direct or indirect Holding Company or ceasing to hold directly or indirectly substantially all of the assets of the Bank) or IPO Exit (admission of the A Shares of the Issuer to a securities exchange, as defined in the Issuer's Articles of Association). On a return of capital on liquidation, dissolution or winding up, the surplus assets of the Issuer are applied first, in respect of each B Share, an amount equal to the nominal value (and if such proceeds are insufficient, allocated between them pro rata to the aggregate amount due to each), and second, the balance remaining (if any) shall be distributed to the shareholders of A Shares (the "**A Shareholders**") pro rata by reference to the number of A Shares held by them respectively.

No A Shareholder is entitled to receive notice of, nor attend to vote at, a general meeting of the Issuer, save where a resolution is to be proposed at such meeting abrogating or varying any of the rights or privileges attached to the A Shares; for the winding up or dissolution of the Issuer; in respect of the purchase or redemption (save for the redemption of B Shares) of any share capital of the Issuer; or in respect of a Bank Exit or IPO Exit. Each and every shareholder of B Shares (a "**B Shareholder**") is entitled to receive notice of, attend and vote at a general meeting of the Issuer, with one vote in respect of each B Share registered in the name of the holder.

Decisions regarding Member Matters (as defined in the Bank's Articles of Association) may only be taken by the Board of the Bank, with the prior written approval of the holders of more than 50 per cent. of the Ordinary Shares in issue (which in turn is approved by the Issuer). B Shareholder Matters (as defined in the Issuer Articles of Association) may only be undertaken by the Board of the Issuer or approved for implementation at Bank level or FinanceCo level, with the prior written approval of the holders of more than 50 per cent. of the B Shares in issue.

The B Shareholders are entitled to appoint up to two Directors to the Board of the Issuer, the Issuer is entitled to appoint up to two Directors to the Board of FinanceCo and the Board of FinanceCo is entitled to appoint up to two Directors to the Board of the Bank, who are designated as B Directors of the Issuer, FinanceCo and the Bank. As at the date of this Prospectus, two B Directors, Edward Sebastian Grigg and Richard James Slimmon, are appointed to each of the Boards. If the B Shareholder Nominee Directors perform any executive function then they shall report to the Bank and the Issuer's CEO (who shall be the same person).

On 1 September 2017, the Issuer and the B Shareholders entered into a B Shareholders Agreement for the purpose of setting out the 'Exit Premium' principles in accordance with the Issuer's Articles of Association. Subject to other provisions of Article 12 of the Issuer's Articles of Association, if at any time an A Shareholder (together with its affiliates): is the registered holder of equal to or greater than 10 per cent. of the A Shares then in issue (the "**B Threshold**"); has been and is approved by the PRA as a Controller of the Issuer; and executes a deed of adherence to the B Shareholders' Agreement, (together, the "**Qualifying Conditions**"), such A Shareholder shall be deemed a 'Qualifying Shareholder' and the Issuer shall have the power to allot and issue to them one B Share for every 1 per cent. held of the A Shares then in issue (rounded down to the nearest whole percentage point).

In addition, on 24 May 2024, the Issuer announced that certain of its shareholders had signed a sale and purchase agreement pursuant to which Coventry Building Society will acquire the entire issued share capital of the Issuer (see further "*Recent Developments*").

TAXATION

The following is a general summary of the Issuer's understanding of English law tax consequences as at the date hereof in relation to payments made under the Notes in relation to the sale or transfer of Notes. It assumes that there will be no substitution of the Issuer or further issues of securities that will form a single series with the Notes, and do not address the consequences of any such substitution or further issue (notwithstanding that such substitution or further issue may be permitted by the terms and conditions of the Notes). It is not exhaustive and purchasers are urged to consult their professional advisers as to the tax consequences to them of holding or transferring Notes. In particular, purchasers should be aware that the tax legislation of any jurisdiction where a purchaser is resident or otherwise subject to taxation (as well as the jurisdiction discussed below) may have an impact on the tax consequences of an investment in the Notes including in respect of any income received from the Notes.

United Kingdom Taxation Considerations

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. Save where expressly stated to the contrary, it is based on current United Kingdom tax law and the practice of His Majesty's Revenue & Customs ("**HMRC**"), which (in the case of such practice) may not be binding on HMRC and which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of the Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. They relate only to the position of persons who hold their Notes as investments (regardless of whether the Noteholder also carries on a trade, profession or vocation through a permanent establishment, branch or agency to which the Notes are attributable) and are the absolute beneficial owners thereof. The following is a general guide and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that might be relevant to a prospective purchaser. Noteholders who are in any doubt as to their tax position should consult their professional advisers.

Also investors should note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

UK Withholding Tax

Quoted Eurobond Exemption

The Notes will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange within the meaning of Section 1005 Income Tax Act 2007. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Notes will be "listed on a recognised stock exchange" for this purpose 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 FSMA) 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 within the meaning of Section 1005 Income Tax Act 2007.

The London Stock Exchange is a recognised stock exchange for these purposes, and accordingly the Notes will constitute quoted Eurobonds provided they are and continue to be included in the United Kingdom Official List of the Financial Conduct Authority and are admitted to trading on the Main Market of the London Stock Exchange.

In all cases falling outside the exemption described above, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) unless: (i) the Issuer has received a direction to the contrary from HM Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty, or (ii) any other relief is available under domestic law.

Other considerations

The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements in above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

FATCA withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as "**FATCA**", a "**foreign financial institution**" (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. Securities that are characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer), however if additional securities that are not distinguishable from previously issued securities are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all such securities, including the securities offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding the characterisation of the Notes for U.S. federal tax purposes and how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

Deutsche Bank AG, London Branch, Goldman Sachs International and NatWest Markets Plc (the "**Joint Lead Managers**") have, pursuant to a Subscription Agreement dated 16 September 2024 (the "**Subscription Agreement**"), jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe the Notes at 100.000 per cent. of their principal amount, less certain commissions. In addition, the Issuer has agreed to reimburse each Joint Lead Manager for certain of its expenses in connection with the issue of the Notes.

The Subscription Agreement entitles the Joint Lead Managers to terminate it and be released and discharged from their obligations thereunder in certain circumstances prior to payment being made to the Issuer, including in the event that certain conditions precedent are not delivered or met to their satisfaction on the Issue Date. In this situation, the issuance of the Notes may not be completed. Investors will have no rights against the Issuer or the Joint Lead Managers in respect of any expense incurred or loss suffered in these circumstances.

The Joint Lead Managers have, directly or indirectly through affiliates, provided investment and commercial banking, financial advisory and other services to the Issuer and its affiliates from time to time, for which they have received monetary compensation. The Joint Lead Managers may from time to time also enter into swap and other derivative transactions with the Issuer and its affiliates. In addition, the Joint Lead Managers and their respective affiliates may in the future engage in investment banking, commercial banking, financial or other advisory transactions with the Issuer or its affiliates.

United States

The Notes have not been and will not be registered under the U.S. Securities Act and each Joint Lead Manager has understood and agreed that the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to any other exemption from the registration requirements of the U.S. Securities Act. Each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, any Notes except in accordance with Rule 903 of Regulation S under the U.S. Securities Act. Each Joint Lead Manager has also represented, warranted and agreed that it has offered and sold the Notes, and will offer and sell the Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date (the "**distribution compliance period**"), only in accordance with Rule 903 of Regulation S under the U.S. Securities Act. Each Joint Lead Manager has agreed that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"*The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date, except in either case in accordance with Regulation S under the U.S. Securities Act. Terms used above have the meaning given to them by Regulation S.*"

Each Joint Lead Manager has represented, warranted and agreed that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirement of Regulation S.

Terms used above have the meaning given to them by Regulation S.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

(a) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

Prohibition of Sales to UK Retail Investors

In addition, each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the United Kingdom. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

(a) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA.

Prohibition of Sales to EEA Retail Investors

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

(a) a retail client, as defined in point (11) of Article 4(1) of MiFID II; or

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

Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 (Cth) of Australia (the "**Corporations Act**")) in relation to the Notes has been or will be lodged with the Australian Securities and Investments Commission ("**ASIC**"). Each Joint Lead Manager has represented and agreed that it:

(a) has not (directly or indirectly) offered, and will not offer for issue or sale and has not invited, and will not invite, applications for issue, or offers to purchase, the Notes in, to or from Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, any information memorandum, advertisement or other offering material relating to the Notes in Australia,

unless (1) the aggregate consideration payable by each offeree or invitee is at least AUD500,000 (or its equivalent in other currencies, disregarding moneys lent by the offeror or its associates) or the offer or

invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the Corporations Act, (2) the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act, (3) such action complies with all applicable laws, regulations and directives and (4) such action does not require any document to be lodged with ASIC.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Prospectus or of any other document relating to any Notes be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Joint Lead Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or distribute any copies of this Prospectus or any other document relating to the Notes in Italy except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") and any applicable provision of Legislative Decree no. 58 of 24 February 1998 (as amended, the "**Financial Services Act"**) and Italian CONSOB regulations; or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-*ter* of CONSOB regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

In any event, any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in Italy under paragraphs (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the "**Banking Act**") and CONSOB Regulation No. 20307 of 15 February 2018, all as amended from time to time;

(ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time; and

(iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "Financial Instruments and Exchange Act"). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Singapore

Each Joint Lead Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) and in accordance with the conditions specified in Section 275 of the SFA.

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

Switzerland

Subject to specific provisions regarding exempt offers pursuant to Article 36 of the Swiss Financial Services Act ("**FinSA**") (as set out further described below), the Notes may not be publicly distributed (such term including any advertising type of activity whose object is the purchase of Notes by an investor) or offered (such term including any invitation to acquire Notes that contains sufficient information on the terms of the offer and the Notes) in, into or from Switzerland, except if such offer is strictly limited to investors that qualify as professional clients ("**Professional Clients**") according to Article 4 para. 3 of the FinSA and its implementing ordinance, i.e., the Swiss Federal Financial Services Ordinance ("**FinSO**"), or unless other exemptions, as described below, apply. Accordingly, the Notes may only be distributed or offered, and the relevant issue terms or any other marketing material relating to the Notes may only be made available to Professional Clients in Switzerland.

Professional Clients in terms of the FinSA specifically include:

(a) Swiss regulated financial intermediaries such as banks, securities houses, fund management companies, asset managers of collective investments, or regular asset managers;

(b) Swiss regulated insurance companies;

(c) foreign clients which are subject to a prudential supervision under the laws of their incorporation of jurisdiction equivalent to that applicable to persons listed under (a) and (b) above;

(d) central banks;

(e) public entities with professional treasury operations;

(f) occupational pension schemes and other institutions whose purpose is to serve occupational pensions with professional treasury operations;

(g) companies with professional treasury operations;

(h) large companies; and

(i) private investment structures with professional treasury operations created for high-net-worth private (retail) clients.

In addition, high-net-worth private (retail) clients and private investment structures created for them may declare that they wish to be treated as Professional Clients in accordance with Article 5 of the FinSA (opting out).

Furthermore, the Notes may be distributed or offered in, into or from Switzerland, if such exempt offers:

(i) are addressed to less than 500 investors;

(ii) are only addressed to investors that purchase financial instruments in an amount of at least CHF 100,000;

(iii) have a minimum denomination of CHF 100,000 (or equivalent in other currencies); or

(iv) do not exceed the value of CHF 8 million (or equivalent in other currencies) calculated over a period of 12 months.

Each of the Joint Lead Managers has represented and agreed that it will only distribute and offer the Notes to Professional Clients in, into or from Switzerland.

The Notes will not be admitted to trading on any trading venue (exchange or multilateral trading facility) in Switzerland.

This Prospectus does not constitute a prospectus pursuant to the FinSA, and no such prospectus has been or will be prepared for or in connection with the offering of the Notes. Subject to these selling restrictions, the offering of the Notes in, into or from Switzerland is exempt from the requirement to prepare and publish a prospectus under the FinSA because such offering is exclusively made to Professional Clients.

General

No action has been or will be taken by the Issuer or the Joint Lead Managers that would, or is intended to, permit a public offer of the Notes or possession or distribution of this Prospectus or any other offering or publicity material relating to the Notes in any country or jurisdiction where any such action for that purpose is required.

Accordingly, the Joint Lead Managers have each undertaken that they will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of their knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

GENERAL INFORMATION

1. Legal Entity Identifier (LEI)

The LEI for the Issuer is 213800MY2BSP459O8A22.

2. Clearing Systems

The Notes have been accepted for clearance through the Clearstream, Luxembourg and Euroclear systems with a Common Code of 288472483. The International Securities Identification Number for the Notes is XS2884724837.

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, L1855 Luxembourg.

3. Admission to Trading

The admission of the Notes to the Official List will be expressed as a percentage of their principal amount (exclusive of accrued interest). It is expected that admission of the Notes to the Official List and to trading on the Market will be granted on or around 19 September 2024, subject only to the issue of the Notes. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for settlement in pounds sterling and for delivery on the third working day after the day of the transaction. The total expenses related to the admission to trading of the Notes are estimated to be approximately £6,550.

4. Authorisations

The Issuer has obtained all necessary consents, approvals and authorisations in the United Kingdom in connection with the issue and performance of the Notes. The issue of the Notes was authorised by resolution of the Board of Directors of the Issuer passed on 28 August 2024.

5. Significant/Material Adverse Change

There has been no material adverse change in the prospects of the Issuer since 31 December 2023.

There has been no significant change in the financial position or financial performance of the Group since 30 June 2024.

6. Litigation

Save as disclosed in the section of this Prospectus headed "*Litigation*", there are no 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 12 months preceding the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer or the Group.

7. Documents on Display

For so long as any of the Notes is outstanding, copies of the following documents may be inspected in electronic format at *https://www.co-operativebank.co.uk/about-us/investor-relations/*:

(a) the Memorandum and Articles of Association of the Issuer;

(b) the Trust Deed;

(c) the Agency Agreement; and

(d) this Prospectus and any supplements thereto.

This Prospectus will be published on the website of the Regulatory News Service operated by the London Stock Exchange at *http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html*.

8. Independent Auditors

The consolidated accounts of the Issuer and the Bank for the financial years ended 31 December 2023 and 31 December 2022 incorporated by reference in this Prospectus have each been audited by Ernst & Young LLP ("**EY**"), who have rendered an unqualified audit report on each such accounts. EY is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

EY has no material interest in the Issuer or the Bank.

PricewaterhouseCoopers LLP ("**PwC**") have been appointed from 3 June 2024 as the independent auditors for the Issuer and the Bank for the financial year ending 31 December 2024. PwC is a member of the Institute of Chartered Accountants in England and Wales.

PwC has no material interest in the Issuer or the Bank.

9. Certificates

Any certificate, confirmation, advice or report of the Auditors (as defined in the Trust Deed), accountants, or any other expert or any person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of the Trust Deed may be relied upon without liability by the Trustee as sufficient evidence of the facts stated therein whether or not such certificate, confirmation, advice or report and/or any engagement letter or other document entered into by the Trustee, the Issuer or any other person in connection therewith contains a monetary or other limit on the liability of the Auditors or such other person in respect thereof.

ISSUER

The Co-operative Bank Holdings p.l.c.
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TRUSTEE

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United Kingdom

PRINCIPAL PAYING AGENT AND CALCULATION AGENT

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160 Queen Victoria Street
London EC4V 4LA
United Kingdom

REGISTRAR AND TRANSFER AGENT

The Bank of New York Mellon SA/NV, Dublin Branch
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Sir John Rogerson's Quay
Grand Canal Dock
Dublin 2
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JOINT LEAD MANAGERS

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United Kingdom

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LEGAL ADVISERS

To the Issuer as to English law

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To the Joint Lead Managers and the Trustee as to English law

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INDEPENDENT AUDITORS

(for the year ended 31 December 2024)

PricewaterhouseCoopers LLP
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Manchester M3 3EB
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