



**Virgin Money Holdings (UK) plc**  
*(incorporated under the laws of England and Wales)*

**Virgin Money plc**  
*(incorporated under the laws of England and Wales)*

**£3,000,000,000**  
**Global Medium Term Note Programme**

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Under the Global Medium Term Note Programme described in this Offering Circular (the "**Programme**"), Virgin Money Holdings (UK) plc ("**HoldCo**") and Virgin Money plc (the "**Bank**") (each an "**Issuer**" and together, the "**Issuers**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the "**Notes**"). The aggregate nominal amount of Notes outstanding under the Programme will not at any time exceed £3,000,000,000 (or the equivalent in other currencies), subject to any increase as provided herein.

This Offering Circular (the "**Offering Circular**") has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**") in its capacity as competent authority under the Financial Services and Markets Act 2000, as amended ("**FSMA**"). This Offering Circular comprises listing particulars given in compliance with the United Kingdom Listing Authority's listing rules under Part VI of the FSMA ("**Listing Particulars**").

Applications have been made for Notes issued under the Programme (other than Exempt Notes (as defined below)) to be admitted during the period of twelve months after the date hereof to listing on the Official List of the FCA (the "**Official List**") and to trading on the Professional Securities Market (the "**PSM**") of the London Stock Exchange plc (the "**London Stock Exchange**"). The PSM is not a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments. References in this Offering Circular to "**Exempt Notes**" are to Notes for which no Listing Particulars are required to be published under the FSMA. The Programme permits Exempt Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or that they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the relevant Issuer. Information contained in this Offering Circular regarding Exempt Notes shall not be deemed to form part of this Offering Circular and the FCA has neither approved nor reviewed information contained in this Offering Circular in connection with any Exempt Notes.

Notes issued under the Programme may be rated or unrated. Where a Tranche (as defined below) of Notes is rated, such rating will be specified in the applicable Final Terms (as defined below). **A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.**

Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuers to fulfil their respective obligations under the Notes are discussed under "**Risk Factors**" below.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended ("**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and the Notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except in certain transactions exempt from the registration requirements of the Securities Act and applicable United States state securities laws. The Notes may be offered and sold (a) in bearer form or registered form outside the United States to persons that are not U.S. persons in reliance of Regulation S and (b) in registered form within the United States to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act ("**Rule 144A**")) in reliance on Rule 144A. Prospective purchasers who are QIBs (as defined below) are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See "**Subscription and Sale**" and "**Transfer Restrictions**".

**Arranger**

**BARCLAYS**

**Dealers**

**BARCLAYS**  
**BOFA MERRILL LYNCH**  
**DEUTSCHE BANK**  
**LLOYDS BANK**  
**NATWEST MARKETS**

**BNP PARIBAS**  
**CITIGROUP**  
**HSBC**  
**MORGAN STANLEY**

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## IMPORTANT NOTICES

### ***Responsibility for this Offering Circular***

Each of the Issuers accepts responsibility for the information contained in this Offering Circular and any Final Terms (as defined below) and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular (or the Final Terms) is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

### ***Final Terms/Drawdown Offering Circular***

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as completed by a document specific to such Tranche called final terms (the "**Final Terms**") or in a separate offering circular specific to such Tranche (the "**Drawdown Offering Circular**"), as described under "*Final Terms and Drawdown Offering Circulars*" below.

### ***Other relevant information***

This Offering Circular must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms. In the case of a Tranche of Notes which is the subject of a Drawdown Offering Circular, each reference in this Offering Circular to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Offering Circular unless the context requires otherwise.

Each of the Issuers has confirmed to the Dealers (as defined below) named under "*Subscription and Sale*" below that this Offering Circular contains all information which is (in the context of the Programme and the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that this Offering Circular does not omit to state any material fact necessary to make such information (in the context of the Programme and the issue, offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

### **Unauthorised information**

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any information supplied by the Issuers and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuers or any Dealer.

None of the Dealers, the Trustee (as defined below) nor any of their respective affiliates have authorised the whole or any part of this Offering Circular and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Offering Circular or any responsibility for any act or omission of the Issuers or any other person (other than the relevant Dealer) in connection with the issue and offering of the Notes. Each Dealer and the Trustee accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular. Neither the delivery of this Offering Circular nor any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of either Issuer since the date hereof or, if later, the date upon which this Offering Circular has been most recently supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuers during the life of the Programme nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Trustee. Investors should review, *inter alia*, the most recent published financial statements of the relevant Issuer when evaluating the Notes.

## **Restrictions on distribution**

The distribution of this Offering Circular and any Final Terms, and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular or any Final Terms comes are required by the Issuers and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Offering Circular or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*" and "*Transfer Restrictions*".

In particular, the Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and Notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes may be offered and sold (A) in bearer form or registered form outside the United States to non-U.S. persons in reliance on Regulation S and (B) in registered form within the United States to qualified institutional buyers (as defined in Rule 144A) (each, a "**QIB**") in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of Notes, see "*Subscription and Sale*" and "*Transfer Restrictions*".

**NEITHER THE PROGRAMME NOR THE NOTES HAVE BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF ANY OFFERING OF NOTES OR THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.**

None of this Offering Circular, any Final Terms or any document incorporated by reference herein constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuers, the Dealers or any of them that any recipient of this Offering Circular or any Final Terms should subscribe for or purchase any Notes. Neither this Offering Circular nor any other financial statements are intended to provide the basis of any credit or other evaluation. Each recipient of this Offering Circular or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuers.

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

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risk of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes or where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) 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.

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

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

### **IMPORTANT – EEA RETAIL INVESTORS**

If the applicable Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Unless otherwise stated in the Final Terms, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**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 PRIIPs Regulation.

#### **MiFID II product governance / target market**

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

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

### **SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES**

Each of the Issuers is duly incorporated under the laws of England and Wales. Substantially all of each Issuer's directors and executive officers are non-residents of the United States. A substantial portion of the assets of each Issuer and of their respective directors and officers are located outside the United States. As a result, it may not be possible for an investor to effect service of process within the United States upon those persons or to enforce against them judgements of U.S. courts based upon the civil liability provisions of the federal securities laws of the United States.

### **FORWARD-LOOKING STATEMENTS**

Certain information contained in this Offering Circular and any documents incorporated by reference, including any information as to Virgin Money'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. These forward looking statements may be identified by the use of forward looking terminology, including the terms "believe", "expect", "anticipate", "contemplate", "target", "plan", "intend", "continue", "budget", "project", "aim", "estimate", "may", "will", "could",

"should", "seeks", "predicts", "schedule" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plan, objectives, goals, future events or intentions.

Forward looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Virgin Money, 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: general economic and business conditions in the UK and internationally; inflation, deflation, interest rates and policies of the Bank of England, the European Central Bank and other G8 central banks; fluctuations in exchange rates, stock markets and currencies; changes to an Issuer's credit ratings; changing demographic developments, including mortality and changing customer behaviour, including consumer spending, saving and borrowing habits; changes in customer preferences; changes to borrower or counterparty credit quality; instability in the global financial markets, including the Economic and Monetary Union (the "**Eurozone**") instability and the impact of any sovereign credit rating downgrade or other sovereign financial issues; technological changes; natural and other disasters, adverse weather and similar contingencies outside Virgin Money's control; inadequate or failed internal or external processes, people and systems; terrorist acts and other acts of war or hostility and responses to those acts; geopolitical, pandemic or other such events; changes in laws, regulations, taxation, accounting standards or practices; regulatory capital or liquidity requirements and similar contingencies outside Virgin Money's control; the policies and actions of governmental or regulatory authorities in the UK, the European Union, the US or elsewhere; the ability to attract and retain senior management and other employees; the extent of any future impairment charges or write downs caused by depressed asset valuations, market disruptions and illiquid markets; market relating trends and developments; exposure to regulatory scrutiny, legal proceedings, regulatory investigations or complaints; changes in competition and pricing environments; the inability to hedge certain risks economically; the adequacy of loss reserves; the actions of competitors, including non bank financial services and lending companies; and the success of Virgin Money in managing the risks of the foregoing.

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 Offering Circular speak only as of the date they are made, reflect the Issuers' board of directors' view as of the date they are made with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to Virgin Money's operations, results of operations, strategy, capital and leverage ratios and the availability of new funding. Investors should specifically consider the factors identified in this Offering Circular that could cause actual results to differ before making an investment decision. All of the forward looking statements made in this Offering Circular are qualified by these cautionary statements.

Except as required by the Prudential Regulation Authority (the "**PRA**"), the FCA, the London Stock Exchange or applicable law, Virgin Money explicitly disclaims any intention or obligation or undertaking publicly to release the result of any revisions to any forward looking statements in this Offering Circular that may occur due to any change in Virgin Money's expectations or to reflect events or circumstances after the date of it.

### ***Programme limit***

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed £3,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into pounds sterling at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement (as defined below))). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

### **Certain definitions**

In this Offering Circular, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area (the "**EEA**"), references to "**£**", "**GBP**" or "**pounds sterling**" are to the lawful currency for the time being of the United Kingdom, references to "**EUR**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the

introduction of the euro, as amended and references to "U.S.\$", "U.S. dollars" or "dollars" are to United States dollars.

In this Offering Circular, references to "**Virgin Money**" and to the "**Virgin Money Group**" are to HoldCo and its subsidiaries, taken as a whole. The terms "**HoldCo Group**" and "**Bank Group**" have the meanings given to them in Condition 2(a) (*Definitions and Interpretation – Definitions*).

In this Offering Circular, references to the "**Issuer**" are to HoldCo or the Bank, as the case may be, as the Issuer of the Notes under the Programme and references to the "**relevant Issuer**" shall be construed accordingly.

Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

## **Ratings**

The Long Term Issuer Default Rating of HoldCo assigned by Fitch Ratings Limited ("**Fitch**") is currently BBB+. The Long Term Issuer Rating of HoldCo is currently rated Baa3 by Moody's Investor Services ("**Moody's**"). The GMTN Programme rating is currently assigned BBB+ by Fitch, such rating applies only to the issuance of senior unsecured Notes issued under the Programme by HoldCo. The Senior Unsecured MTN Programme Rating assigned by Moody's is currently (P)Baa3, such rating applies only to the issuance of senior unsecured Notes under the Programme by HoldCo. The Subordinated MTN Programme Rating assigned by Moody's is currently (P)Baa3, such rating applies only to the issuance of subordinated Notes under the Programme by HoldCo.

The Long Term Issuer Default Rating of the Bank assigned by Fitch is currently BBB+. The Long Term Issuer Rating of the Bank is currently rated Baa2 by Moody's. The GMTN Programme rating is currently assigned BBB+ by Fitch, such rating applies only to the issuance of senior unsecured Notes issued under the Programme by the Bank. The Senior Unsecured MTN Programme Rating assigned by Moody's is currently (P)Baa2, such rating applies only to the issuance of senior unsecured Notes under the Programme by the Bank. The Subordinated MTN Programme Rating assigned by Moody's is currently (P)Baa3, such rating applies only to the issuance of subordinated Notes under the Programme by the Bank.

Each of Fitch and Moody's is established in the EEA and registered under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**").

Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) (if any) assigned to an Issuer or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued by a credit rating agency ("**CRA**") established in the EEA and registered under the CRA Regulation, or (2) issued by a CRA which is not established in the EEA but will be endorsed by a CRA which is established in the EEA and registered under the CRA Regulation or (3) issued by a CRA which is not established in the EEA but which is certified under the CRA Regulation, will be disclosed in the Final Terms.

## **Stabilisation**

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

**Market, economic and industry data**

This Offering Circular contains information regarding Virgin Money's business and the industry in which it operates and competes, some of which Virgin Money has obtained from third-party sources. Virgin Money and other institutions operating in the financial services industry make available a wide range of financial and operational information to regulatory and market bodies, including the Bank of England and the Council of Mortgage Lenders. These bodies use the data supplied to publish market share statistics relating to retail mortgage lending and savings, among other matters. However, no assurance can be made that the information reported to these bodies by different market participants is, in all cases, directly comparable.

In some cases, independently determined industry data is not available. In these cases, any Virgin Money market share included in this Offering Circular is referred to as having been estimated. All such estimates have been made by Virgin Money using its own information and other market information which is publicly available. All such estimations have been made in good faith based on the information available and Virgin Money's knowledge of the market within which it operates.

Where third-party information has been used in this Offering Circular, the source of such information has been identified. With respect to such third-party information, this information has been accurately reproduced and so far as the Issuers are aware and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In the case of the presented economic and statistical information, similar information may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source.

Where information has not been independently sourced, it is Virgin Money's own information.

**No incorporation of website information**

Virgin Money's website is [www.virginmoney.com](http://www.virginmoney.com). The information on this website or any website directly or indirectly linked to this website has not been verified and is not incorporated by reference into this Offering Circular and investors should not rely on it.

## OVERVIEW OF THE PROGRAMME

*The following overview is a general description of the Programme, must be read as an introduction to this Offering Circular, and is qualified in its entirety by the remainder of this Offering Circular (and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms or Drawdown Offering Circular). Words and expressions defined elsewhere in this Offering Circular shall have the same meaning in this overview unless otherwise defined herein.*

<b>Issuers:</b>	Virgin Money Holdings (UK) plc (" <b>HoldCo</b> ") Virgin Money plc (the " <b>Bank</b> ")
<b>Arranger:</b>	Barclays Bank PLC
<b>Dealers:</b>	Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited Deutsche Bank AG, London Branch HSBC Bank plc Lloyds Bank plc Merrill Lynch International Morgan Stanley & Co. International plc The Royal Bank of Scotland plc (trading as NatWest markets)  and any other Dealer appointed from time to time by the relevant Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
<b>Trustee:</b>	Citicorp Trustee Company Limited
<b>Principal Paying Agent:</b>	Citibank, N.A., London Branch
<b>Registrar and Transfer Agent:</b>	Citibank, N.A., London Branch
<b>Final Terms or Drawdown Offering Circular:</b>	Notes issued under the Programme may be issued either (1) pursuant to this Offering Circular and associated Final Terms or (2) pursuant to a Drawdown Offering Circular. The terms and conditions applicable to any particular Tranche of Notes will be the Conditions as completed by the relevant Final Terms or, as the case may be, as supplemented, amended and/or replaced by the relevant Drawdown Offering Circular.
<b>Listing and Trading:</b>	Applications have been made for Notes (other than Exempt Notes) to be admitted during the period of twelve months after the date hereof to listing on the Official List and to trading on the PSM. The Programme also permits Exempt Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the relevant Issuer.
<b>Clearing Systems:</b>	Euroclear Bank SA/NV (" <b>Euroclear</b> ") and/or Clearstream Banking S.A. (" <b>Clearstream, Luxembourg</b> ") and together with Euroclear, the " <b>ICSDs</b> ") and/or (in the case of Registered Notes represented by a Restricted Global Note Certificate only) The Depository Trust Company (" <b>DTC</b> ") and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.

**Initial Programme Amount:** Up to £3,000,000,000 (or the equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time. The Issuers may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.

**Issuance in Series:** Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.

**Forms of Notes:** Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**"). Bearer Notes will not be exchangeable for Registered Notes and Registered Notes will not be exchangeable for Bearer Notes. No single Series or Tranche may comprise both Bearer Notes and Registered Notes.

Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in new global note form (a "**Classic Global Note**" or "**CGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Each Global Note which is intended to be issued in new global note form (a "**New Global Note**" or "**NGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Each Tranche of Registered Notes will be represented by either:

- (i) Individual Note Certificates; or
- (ii) one or more Unrestricted Global Note Certificates in the case of Registered Notes sold outside the United States to non-U.S. persons in reliance on Regulation S and/or one or more Restricted Global Note Certificates in the case of Registered Notes sold to QIBs in reliance on Rule 144A,

in each case as specified in the relevant Final Terms.

Each Note represented by an Unrestricted Global Note Certificate will either be: (a) in the case of an Unrestricted Global Note Certificate which is not to be held under the new safekeeping structure, registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Note Certificate will be deposited on or about the issue date with the common depository; or (b) in the case of an Unrestricted Global Note Certificate to be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**"), be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Note Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Each Note represented by a Restricted Global Note Certificate will be registered in the name of Cede & Co. as nominee for DTC and the relevant Restricted Global Note Certificate will be deposited on or about the issue date with the DTC Custodian. Beneficial interests in Notes represented by a Restricted Global Note Certificate may only be held through DTC at any time.

**Currencies:**

Notes may be denominated in pounds sterling, euro, U.S. dollars or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

**Status of Senior Notes:**

The Senior Notes (and the Coupons relating thereto, if any) constitute direct, unconditional, unsecured and unsubordinated obligations of the relevant Issuer which will at all times rank *pari passu* among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the relevant Issuer, save for such obligations as may be preferred by provisions of law.

**Status of Tier 2 Capital Notes:**

The Tier 2 Capital Notes (and the Coupons relating thereto, if any) constitute direct, unsecured and subordinated obligations of the relevant Issuer ranking *pari passu* without any preference among themselves. In the event of the winding up or administration of the relevant Issuer, the claims of the Trustee (on behalf of the Noteholders but not the rights and claims of the Trustee in its personal capacity under the Trust Deed) and the Holders of Tier 2 Capital Notes and any related Coupons against the relevant Issuer in respect of such Notes and Coupons (including any damages or other amounts (if payable)) shall (i) be subordinated to the claims of all Senior Creditors (as defined in the Conditions); (ii) rank at least *pari passu* with the claims of all other subordinated creditors of the relevant Issuer which in each case by law rank, or by their terms are expressed to rank, *pari passu* with the Tier 2 Capital Notes (including holders of instruments of the relevant Issuer that qualify as Tier 2 instruments in accordance with the Capital Regulations); and (iii) rank senior to the relevant Issuer's ordinary shares, preference shares and any junior subordinated obligations or other securities of the relevant Issuer which by law rank, or by their terms are expressed to rank, junior to the Tier 2 Capital Notes.

<b>Issue Price:</b>	Notes may be issued at any price. The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
<b>Maturities:</b>	<p>Any maturity, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.</p> <p>Any Notes issued by HoldCo having a maturity of less than one year must (a) have a minimum redemption value of £100,000 (or the equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by HoldCo.</p>
<b>Interest:</b>	Notes may be interest bearing or non interest bearing. Interest (if any) may accrue at a fixed rate, a resetting rate or a floating rate (or a fixed/floating or floating/fixed rate).
<b>Fixed Rate Notes:</b>	Fixed Rate Notes will bear interest at the fixed rate(s) of interest specified in the applicable Final Terms. Such interest will be payable in arrear on the Interest Payment Date(s) specified in the applicable Final Terms or determined pursuant to the Conditions.
<b>Reset Notes:</b>	Reset Notes will, in respect of an initial period, bear interest at the Initial Rate of Interest specified in the applicable Final Terms. Thereafter, the fixed rate of interest will be reset on one or more date(s) specified in the applicable Final Terms by reference to a mid-swap rate for the relevant Specified Currency or a reference bond, and for a period equal to the relevant reset period, as adjusted for any applicable margin, in each case as may be specified in the applicable Final Terms. Such interest will be payable in arrear on the Interest Payment Date(s) specified in the applicable Final Terms or determined pursuant to the Conditions.
<b>Floating Rate Notes:</b>	<p>Floating Rate Notes will bear interest determined separately for each Series as follows:</p> <ul style="list-style-type: none"> <li>(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc.; or</li> <li>(ii) by reference to a reference rate appearing on the agreed screen page of a commercial quotation service,</li> </ul> <p>in any such case as adjusted for any applicable margin specified in the applicable Final Terms.</p> <p>Floating Rate Notes may also have a maximum interest rate, a minimum interest rate, or both.</p>
<b>Zero Coupon Notes:</b>	Zero Coupon Notes may be issued at their nominal amount or at a discount to their nominal amount and will not bear

interest.

**Redemption:** Unless previously redeemed or purchased and cancelled, Notes will be redeemed at their Final Redemption Amount (as specified in the relevant Final Terms) on the Maturity Date.

**Optional Redemption:** Notes may be redeemed before the Maturity Date at the option of the relevant Issuer (as described in Condition 10(b) (*Redemption and Purchase – Redemption at the option of the Issuer*)), to the extent (if at all) specified in the relevant Final Terms, subject, in each case, to the extent required by the then prevailing Capital Regulations, to obtaining Regulatory Approval and complying with the Regulatory Preconditions (see Condition 10(l) (*Redemption and Purchase – Restriction on Early Redemption or Purchase of Notes*)).

To the extent (if at all) specified in the relevant Final Terms, Senior Notes may be redeemed before the Maturity Date at the option of the Noteholders (as described in Condition 10(f) (*Redemption and Purchase – Redemption at the option of Noteholders*)).

**Early Redemption:** Except as described in "Optional Redemption" above, early redemption will only be permitted for tax reasons, as described in Condition 10(c) (*Redemption and Purchase – Redemption for tax reasons*), in the case of Tier 2 Capital Notes, regulatory reasons, as described in Condition 10(d) (*Redemption and Purchase – Regulatory Event Redemption of Tier 2 Capital Notes*), and, in the case of Senior Notes, in the case of a Loss Absorption Regulations Event that does, or would be likely to (in the opinion of the relevant Issuer, the Supervisory Authority or any other relevant national or European authority) result in a Loss Absorption Disqualification Event, as described in Condition 10(e) (*Loss Absorption Disqualification Event Redemption of Senior Notes*), subject, in each case, to the extent required by the then prevailing Capital Regulations, to obtaining Regulatory Approval and complying with the Regulatory Preconditions (see Condition 10(l) (*Redemption and Purchase – Restriction on Early Redemption or Purchase of Notes*)).

**Denominations:** The Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer(s) (subject to compliance with all applicable legal and/or regulatory and/or central bank requirements), save that the minimum denomination of each Note will be €100,000 (or the equivalent in any other currency).

**Taxation:** All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the relevant Issuer shall 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 or on behalf of the United Kingdom or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the relevant Issuer shall pay such additional amounts on payments of principal and interest (in the case of Senior Notes) or on payments of interest but not principal (in

the case of Tier 2 Capital Notes) as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions as described in Condition 13 (*Taxation*).

**Ratings:**

As at the date of this Offering Circular, the Long Term Issuer Default Rating of HoldCo is currently rated BBB+ by Fitch and the Long Term Issuer Rating of HoldCo is currently rated Baa3 by Moody's. The GMTN Programme rating is currently BBB+ assigned by Fitch, such rating applies only to the issuance of senior unsecured Notes issued under the Programme by HoldCo. The Senior Unsecured MTN Programme Rating assigned by Moody's is currently (P)Baa3, such rating applies only to the issuance of senior unsecured Notes under the Programme by HoldCo. The Subordinated MTN Programme Rating assigned by Moody's is currently (P)Baa3, such rating applies only to the issuance of subordinated Notes under the Programme by HoldCo.

As at the date of this Offering Circular, the Long Term Issuer Default Rating of the Bank is currently rated BBB+ by Fitch and the Long Term Issuer Rating of the Bank is currently rated Baa2 by Moody's. The GMTN Programme rating is currently BBB+ assigned by Fitch, such rating applies only to the issuance of senior unsecured Notes issued under the Programme by the Bank. The Senior Unsecured MTN Programme Rating assigned by Moody's is currently (P)Baa2, such rating applies only to the issuance of senior unsecured Notes under the Programme by the Bank. The Subordinated MTN Programme Rating assigned by Moody's is currently (P)Baa3, such rating applies only to the issuance of subordinated Notes under the Programme by the Bank.

Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) (if any) assigned to an Issuer or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Substitution:**

Subject to Condition 18(d) (*Supervisory Authority notice or consent*), the Trustee may in certain circumstances, without the consent of the Noteholders, agree to the substitution of either Issuer, as described in Condition 18(c) (*Meetings of Noteholders; Modification and Waiver; Substitution – Substitution*).

**Governing Law:**

English law.

**Selling Restrictions:**

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom and Japan, see "*Subscription and Sale*" below.

## RISK FACTORS

*Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuers and the industry(ies) in which each of them operates together with all other information contained in this Offering Circular, including, in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Offering Circular have the same meanings in this section.*

*Prospective investors should note that the following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. The Issuers have described only those risks relating to their ability to fulfil their respective obligations under the Notes that they consider to be material. Additional risks and uncertainties relating to the Issuers that are not currently known to the Issuers, or that either currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Issuers and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Offering Circular and their personal circumstances.*

### **Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme**

*Virgin Money's business and financial performance have been and will continue to be affected by general economic conditions in the United Kingdom (the "UK") and elsewhere, and any adverse developments in the UK or global financial markets could cause its earnings and profitability to decline.*

As Virgin Money's customer revenue is derived almost entirely from customers based in the UK, Virgin Money is directly and indirectly subject to the inherent risks arising from general economic conditions in the UK, other economies which impact the UK economy and the state of the global financial markets both generally and as they specifically affect financial institutions.

The outlook for the UK economy is uncertain. If the UK's economic conditions weaken, resulting in a fall in demand for Virgin Money's products, or if there is a fall in the level of customers' disposable income, or if financial markets exhibit uncertainty and/or volatility, this could have a material adverse impact on Virgin Money's business, financial condition, results of operations and/or prospects.

In addition, a deterioration in economic conditions in the Eurozone, including a return to macroeconomic or financial market instability may pose a risk to Virgin Money's business, despite the fact that Virgin Money has limited direct financial exposure to the Eurozone. Should the economic conditions in the Eurozone deteriorate, the macroeconomic risks faced by Virgin Money would be exacerbated given the influence the Eurozone has on the UK's economic performance, and may have an adverse impact on consumer confidence, spending and demand for credit in the UK, any of which could have material adverse effect on Virgin Money's business, financial condition, results of operations and/or prospects. Market volatility has a material adverse impact on the ability of financial institutions to access the wholesale funding markets which, if such access becomes difficult, may have a material adverse impact on Virgin Money.

Central banks in advanced economies have maintained supportive policies, including historically (low or negative) levels of global interest rates. The Bank of England base rate fell to 0.25 per cent. in August 2016, having previously remained at 0.5 per cent. since March 2009. Despite an increase in the base rate to 0.5 per cent. in November 2017, the low interest rate environment continues to put pressure on net interest income and margins throughout the UK banking industry, including at Virgin Money. In addition, the UK Government has provided support to UK financial institutions to support lending in the UK economy. These policies have helped to support demand at a time of pronounced fiscal tightening and balance sheet repair for most major financial institutions. Decreased levels of support for UK lending by the Bank of England and the UK Government could have a material adverse effect on Virgin Money's business.

Higher interest rates could adversely impact the credit quality of Virgin Money's customers and counterparties. Conversely, a deflationary economic environment could also lead to an adverse impact on the credit quality of Virgin Money's customers and counterparties, through a deferral of domestic consumption leading to higher unemployment and an appreciation of debt in real terms. Both scenarios, coupled with a decline in collateral values, could lead to a reduction in recoverability and value of Virgin Money's assets resulting in a requirement to increase Virgin Money's level of impairment allowance. Any increase in impairment resulting from, for example, higher charge-offs to recovery in the retail book and write-offs could have a material adverse effect on Virgin Money's business, financial condition, results of operations and/or prospects.

***Virgin Money's earnings are exposed to the mortgages and savings market and Virgin Money is exposed to risks relating to the housing market***

During the financial year ended 31 December 2017, 65.1 per cent. of Virgin Money's total income was derived from its mortgage and savings business. The UK mortgage market was severely affected by the global financial crisis, with gross residential mortgage lending in the UK falling from £363 billion in 2007 to a low of £135 billion in 2010 before recovering slightly to £257 billion in 2017, according to data from the Bank of England. UK Government intervention in the housing market includes both direct intervention through its Help to Buy programme and indirect intervention through provision of liquidity to the banking sector under the Bank of England's Funding for Lending Scheme (the "FLS") and Term Funding Scheme ("TFS").

In addition, the new FCA rules which came into force in April 2014 following the Mortgage Market Review (the "MMR") (and had a limited direct effect on Virgin Money) taken alongside other regulatory changes (such as the Financial Policy Committee (the "FPC") cap on high income multiples and implementation of PRA underwriting standards in 2017 for buy-to-let mortgages) may temper overall demand in the mortgage market.

Average house prices in the UK have generally been on the upward trend since February 2009, but the annual rate of house price growth has generally slowed since the end of 2014. If UK house prices were, in the future, to begin to follow a falling trend or if house prices in those regions to which Virgin Money has significant exposure begin to follow a falling trend, in particular the South East of England and London, this would be likely to result in an increase in Virgin Money's residential mortgage loan impairment charges as the value of the security underlying its mortgage loans is eroded. Higher impairment charges could reduce Virgin Money's profitability, capital and its ability to engage in lending and other income generating activities and, therefore, could have a material adverse effect on Virgin Money's business and potentially on its ability to implement its strategy.

In addition, Virgin Money is exposed to the UK savings market as its principal source of funding for its mortgage lending. As a result, there is a risk that a temporary or permanent fall in the UK savings ratio (being the amount UK households save as a proportion of disposable income) may have a material adverse effect on the ability of Virgin Money to fund its mortgage lending activity and affect Virgin Money's ability to deliver its strategic income targets and its financial performance.

There are risks that competition for customers among financial institutions may increase the cost to Virgin Money of acquiring the new customers it needs, through, for example, higher interest rates on its retail savings products. Savings products with higher rates without any corresponding lending rate increases could have the effect of reducing Virgin Money's margins and therefore affecting Virgin Money's ability to deliver its strategic income targets and its financial performance.

***Negative fair value adjustments could have a material adverse effect on Virgin Money's business, financial condition, results of operations and/or prospects***

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

which could have a material adverse impact on Virgin Money's business, financial condition, results of operations and/or prospects.

Virgin Money has a portfolio of listed available for sale investment securities and there can be no assurance that fair valuations of Virgin Money's investment securities in future periods will not result in other comprehensive losses or impairments which could be material. In addition, the value that Virgin Money ultimately realises for its investment securities may be lower than their current fair value, resulting in losses being recorded in its income statement, which losses could be material. Any of these factors could have a material adverse effect on Virgin Money's business, financial condition, results of operations and/or prospects.

***Volatility in the wholesale funding markets may have an adverse effect on Virgin Money***

During the global financial crisis, wholesale funding markets were severely restricted, which led to material liquidity challenges for banks heavily reliant on that source of funding. As a result, UK banks significantly increased their demand for retail deposits as a source of funding, leading to increased competition and higher customer interest rates. Whilst wholesale funding markets have recovered significantly in recent years, a continued focus on retail funding, as evidenced by the reduced loan to deposit ratios of the major UK retail banks, means that competition for retail deposits may continue to be elevated even in periods of benign wholesale funding markets. If Virgin Money is not able to attract sufficient retail deposits, its ability to meet its lending targets may be constrained which could have a material adverse effect on Virgin Money's financial and operational performance.

Virgin Money sources a proportion of its funding in the wholesale markets, primarily through securitisation programmes which it principally uses for medium term funding, although retained notes can also be used for short term repo funding purposes. Virgin Money also has access to the wholesale funding markets through this Global Medium Term Note programme. Further, in 2017 Virgin Money received authorisation from the FCA for a regulated covered bond programme and expects to issue an inaugural covered bond in 2018. While Virgin Money does not currently rely heavily on wholesale funding, it may need to access wholesale markets where there is a residual funding requirement over and above funds held from, among other sources, personal savings accounts and other customer deposits. The availability of wholesale funding depends on a variety of factors including market conditions, the general availability of credit, Virgin Money's ability to raise funding through sources other than securitisation, the volume of trading activities, the overall availability of credit to the financial services industry, and rating agencies' and funding markets' assessment of Virgin Money's credit strength. These and other factors may limit Virgin Money's ability to raise funding in wholesale markets which could, in turn, result in a significant increase in its cost of funding or result in other material adverse effects on its business, financial condition, results of operations and/or prospects.

***Rating downgrade and/or market sentiment with respect to Virgin Money, the sector, the UK and/or other sovereign issuers may have an adverse effect on Virgin Money***

If sentiment towards the financial institutions operating in the UK (including Virgin Money) or in the Eurozone were to deteriorate, or if the UK's sovereign rating, the Bank's ratings and/or the ratings of the major financial institutions operating within the UK or beyond were to be adversely affected, this may have a materially adverse impact on Virgin Money and restrict its ability to source liquidity and funding in the longer term. In addition, any such change in sentiment or reduction in ratings could result in an increase in the costs of, and a reduction in the availability of, wholesale market funding across the financial sector which could have a material adverse effect on the liquidity and funding of all UK financial services institutions, including Virgin Money.

HoldCo's Short Term and Long Term Issuer Default Ratings are currently rated F2 and BBB+ respectively by Fitch and HoldCo's Short Term and Long Term Issuer Ratings are currently rated Prime-3 and Baa3 respectively by Moody's. The Bank's Short Term and Long Term Issuer Default Ratings are currently rated F2 and BBB+ respectively by Fitch and the Bank's Short Term and Long Term Issuer Ratings are currently rated Prime-2 and Baa2 respectively by Moody's. Any future declines in those aspects of Virgin Money's business identified by Fitch and/or Moody's as significant or otherwise could adversely affect Fitch's and/or Moody's perception of Virgin Money's credit worthiness and cause one or both to take negative ratings actions. Any downgrade in the Bank's credit rating by Fitch and/or Moody's could:

- adversely affect Virgin Money's liquidity and competitive position, particularly through cash outflows to meet collateral requirements on existing contracts;
- undermine confidence in Virgin Money;
- increase Virgin Money's borrowing costs; or
- limit Virgin Money's access to the capital markets or limit the range of counterparties willing to enter into transactions with Virgin Money, as many institutions require their counterparties to satisfy minimum ratings requirements.

The Bank's credit rating is subject to change and could be downgraded by Fitch and/or Moody's as a result of many factors, including any failure by Virgin Money to implement its strategies successfully. A downgrade of the Bank's credit ratings could also lead to a loss of customers.

***Competition in the United Kingdom personal financial services markets may adversely affect Virgin Money's operations***

Virgin Money operates in an increasingly competitive UK personal financial services market. Virgin Money competes mainly with other providers of personal financial services, including banks, building societies and insurance companies, some of which have greater scale and financial resources, broader product offerings and more extensive distribution networks than Virgin Money.

Competition may intensify further in response to competitor behaviour, consumer demand, technological changes, the impact of market consolidation and new market entrants, regulatory actions (including the European Mortgage Credit Directive 2014/17/EU (the "**Mortgage Credit Directive**") and any action taken by the Competition and Markets Authority (the "**CMA**") in connection with its market investigation reference in relation to personal current accounts ("**PCAs**"), outputs from various market studies by the FCA including their cash savings and credit card market studies and the wider political environment, which is seeking to increase the level of competition in the UK retail banking market, together with other factors. If increased competition occurs as a result of these or other factors, Virgin Money's business, financial condition, results of operations and/or prospects could be materially adversely affected.

Each of the main personal financial services markets in which Virgin Money operates is mature and slow growing, so that material growth requires taking market share from competitors. The mortgages, savings, credit cards and PCA markets in particular are very concentrated. Some of Virgin Money's competitors have publicly commented that they intend to grow their market share. Such banks may engage in enhanced marketing activities which may result in customers switching their products to such competitors or may limit Virgin Money's ability to attract new customers. This may place elevated focus on price, service and other competitive factors as the key differentiators, each of which carries a cost to the provider. If Virgin Money is unable to match the efficiency or the marketing impact of its competitors, it risks being disadvantaged and being unable to meet its strategic growth aspirations.

The credit card issuing business is highly competitive. Virgin Money competes with other credit card issuers on the basis of a number of factors, including products and services, brand, network, reputation and pricing. This competition affects Virgin Money's ability to obtain applicants for credit cards, encourage card members to use Virgin Money's credit cards, maximise the revenue generated by card usage and generate card member loyalty and satisfaction so as to minimise the number of card members switching to other credit card brands. If Virgin Money is unable to compete successfully, Virgin Money's business, financial condition, results of operations and/or prospects could be materially adversely affected.

If Virgin Money's customer service levels were perceived by the market to be only in line with, or materially below, those of competitor UK financial institutions, Virgin Money could lose existing and potential new business. If Virgin Money is not successful in retaining and strengthening customer relationships, it may lose market share, incur losses on some or all of its activities or fail to attract new business or retain existing business, which could have a material adverse effect on its business, financial condition, results of operations and/or prospects.

A feature of the market in which Virgin Money operates is competition among lenders on credit standards. Should Virgin Money's competitors lower their credit standards, Virgin Money may lose

market share of the sub sectors in which it operates in order to protect its risk appetite, which may materially adversely affect Virgin Money's financial and operational performance.

### ***Financial Risk (Liquidity, Market and Credit)***

#### *Liquidity*

Financial institutions, such as Virgin Money, are subject to liquidity risk as an inherent part of their business. Liquidity risk is the risk that an institution may not have sufficient liquid funds at any time to make full payment in respect of liabilities falling due at that time. Virgin Money has a core portfolio of liquid investments as well as a range of other assets which are a further source of liquidity to it. However, if access to liquidity is constrained for a prolonged period of time, Virgin Money's cost of funding would increase as competition for retail deposits intensified, the cost of accessing the wholesale markets would rise and/or Virgin Money's ability to realise its liquid investments would be constrained. This would have a material adverse effect on Virgin Money's profitability.

These funding risks can be exacerbated by enterprise specific factors, such as over reliance on a particular source of funding or changes in credit ratings, or by market wide phenomena, such as market dislocation or a major disaster. There is also a risk that the funding structure employed by Virgin Money may prove to be inefficient, giving rise to a level of funding cost that is not sustainable in the long term for Virgin Money to grow its business or even maintain it at current levels. Virgin Money's ability to access retail and wholesale funding sources on satisfactory economic terms is subject to a variety of factors, including a number of factors which are outside its control.

Failure to manage these or any other risks relating to the cost and availability of liquidity and funding could compromise Virgin Money's ability to deliver its growth strategy and, consequently, have a material adverse effect on Virgin Money's business, financial condition, results of operations and/or prospects.

#### *Market Risk and Interest Rate Risk on the Banking Book*

There is a risk that the value of, or net income arising from, Virgin Money's assets and liabilities changes as a result of changes to market forces, specifically interest rates, exchange rates or equity prices. Principally, Virgin Money faces banking book risk arising from interest rate risk, basis risk, foreign exchange risk, bond and equity index price risks. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realised between lending and borrowing costs.

The performance of financial markets may cause changes in the value of its investment portfolios. Although Virgin Money has implemented risk management methods to seek to mitigate and control these and other market risks to which it is exposed and its exposures are constantly measured and monitored, there can be no assurance that these risk management methods will be effective, particularly in unusual or extreme market conditions. It is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on Virgin Money's financial performance and business operations.

In April 2016, the Basel Committee published Standards on the management of Interest Rate Risk on the Banking Book ("**IRRBB**") to reflect changes in markets and supervisory practices. The Basel Committee IRRBB Standards are to be implemented in two phases. Firstly, through the update of the European Banking Authority Guidelines (a consultation was published in October 2017) and through ongoing revision of the Capital Requirements Directive "**CRD**" and the Capital Requirements Regulation (together with "**CRD**", "**CRD IV**"). The manner in which the Basel Committee and European Banking Authority's statements will be translated in to UK regulation are unknown and Virgin Money is monitoring suggested approaches as they develop. The regulation could lead to increased compliance costs, which may have a material adverse effect on the Virgin Money Group's business, financial condition and results of operations.

#### *Credit*

Credit risk is the risk that a borrower or counterparty fails to pay interest or to repay the principal on a loan or other financial instrument. Virgin Money's credit risk principally arises from its secured and unsecured loans and advances to customers, including its commitments to make such loans, from the investments in which its liquid assets are placed and from its hedging exposures. At 31 December 2017,

retail secured credit accounted for 83 per cent. of Virgin Money's maximum exposure to credit risk before taking account of any collateral held or other credit enhancements and before provisions for impairment (this excludes off balance sheet loan commitments). For example, Virgin Money is exposed to the risk that the outstanding principal balance on interest-only or part capital repayment and part interest-only loans is not repaid in full at the contractual maturity date. Virgin Money provides a variety of solutions to support customers in such instances, but these solutions may not always result in customers being able to repay their loans or to continue to service the interest payments where the capital sum remains outstanding. Where the solutions are unsuccessful in terms of their estimated impact, this could lead to an increase in impairment charges on Virgin Money's residential mortgage portfolio and therefore could have a material adverse effect on its profitability.

In addition, Virgin Money has large individual exposures to single name counterparties. The default of obligations by such counterparties could have a material adverse effect on Virgin Money's business, financial condition, results of operations and/or prospects.

### ***Operational Risk***

#### *General*

Virgin Money is exposed to many types of operational risk, including fraudulent and other criminal activities (both internal and external), the risk of breakdowns in processes, controls or procedures (or their inadequacy relative to the size and scope of Virgin Money's business) information security risks arising from information leakage, loss or theft and systems failure or non-availability. Virgin Money is also subject to the risk of disruption of its business arising from events that are wholly or partially beyond its control (for example natural disasters, acts of terrorism, epidemics and transport or utility failures) which may give rise to losses or reductions in service to customers and/or economic loss to Virgin Money. The operational risks that Virgin Money is exposed to could change rapidly and there is no guarantee that Virgin Money's processes, controls, procedures and systems are sufficient to address, or could adapt promptly to, such changing risks. All of these risks are also applicable where Virgin Money relies on outside suppliers or vendors to provide services to it and its customers (for example service disruption caused by the failure of a third party, corporate partner or strategic supplier).

#### *Cyber-crime*

Virgin Money continues to invest in its information security awareness, analysis and controls in response to emerging threats, and to ensure 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 recognised as being a material risk to the financial system. Virgin Money has a robust IT infrastructure and its information security controls are designed to protect assets behind a layered series of defences. It cannot, however, be certain that its infrastructure and controls will prove effective in all circumstances. Any failure of the controls could result in significant financial losses and a material adverse effect on Virgin Money's operational performance and reputation.

#### *Retain/recruit key talent*

The successful management and operations of Virgin Money are reliant upon the contributions of the board members of HoldCo and the Bank, the senior management teams of HoldCo and the Bank and other key personnel who are key to Virgin Money's business. In addition, Virgin Money's performance is largely dependent on the talents and efforts of highly skilled individuals. Virgin Money's continued ability to compete effectively depends on its ability to attract new employees and to retain and motivate its existing employees. Although Virgin Money takes steps to protect itself in relation to the loss of key personnel (such as the inclusion of succession planning, restrictive covenants and/or 'gardening leave' provisions in the employment contracts of key personnel), the loss of service of any of Virgin Money's senior management team or other key personnel, or an inability of Virgin Money to attract new personnel, could have a material adverse effect on Virgin Money's business, financial condition, results of operations and/or prospects.

#### *Critical accounting estimates and judgements*

Accounting policies and their applications are fundamental to how Virgin Money records and reports its financial condition and results of operations. The preparation of financial statements in conformity with

International Financial Reporting Standards ("IFRS") requires Virgin Money's management team to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of income and expenses during the reporting period. Although these estimates are based on the Virgin Money management team's best knowledge of the amount, actual results ultimately may differ from those estimates. Virgin Money has identified certain areas that involve a higher degree of judgement or complexity or where assumptions and estimates are significant to the financial statements in the notes to the Virgin Money Group's financial statements. There is a risk that the judgements exercised by Virgin Money's management team are erroneous and this could lead to inaccuracies in the reported financial position and performance of Virgin Money. As a result, Virgin Money cannot guarantee that it will not be required to make changes in accounting estimates or restate prior period financial statements in the future and any such changes or restatements could be material in nature.

Notwithstanding the above, these risk factors should not be taken to imply that HoldCo or any other company in the Virgin Money Group, as applicable, is unable to comply with its obligations as a company with securities admitted to the Official List or as a supervised firm regulated under the FSMA.

***Changes in Virgin Money's accounting policies or in accounting standards could materially affect how it reports its financial condition and results of operations***

Virgin Money's financial statements are prepared in accordance with IFRS as adopted by the European Union. From time to time, the International Accounting Standards Board may issue new standards, amendments to standards or interpretations in relation to IFRS which impact the preparation of Virgin Money's financial statements. These changes can be difficult to predict and could materially affect how Virgin Money records and reports its financial condition and results of operations. In some cases, Virgin Money could be required to apply a new or revised standard retrospectively, resulting in restating prior period financial statements.

For example, the adoption of the new accounting standard, IFRS 9 'Financial Instruments' is expected to impact all UK retail banks, including Virgin Money, and is expected to have a material effect on Virgin Money's financial statements. The mandatory effective date for the new standard was 1 January 2018.

Virgin Money may adopt new standards or amendments to standards prior to the date on which such changes become mandatory if determined to be appropriate. Any change in Virgin Money's accounting policies or accounting standards could materially affect its reported financial condition and results of operations.

***Virgin Money is exposed to risks relating to relationships with key corporate partners and strategic suppliers***

Virgin Money relies on a number of corporate partners and strategic suppliers which exposes it to the risk of deterioration of the commercial, financial or operational soundness of those organisations. In general, any failure by a key third party has the potential to cause:

- pressure on revenue;
- deterioration in customer service; and
- a negative impact on the Virgin Money brand and investor confidence.

One of Virgin Money's key relationships is with its network of professional mortgage intermediaries, of which over 12,200 were actively engaged in business with Virgin Money in 2016 and over 11,600 in 2017. The key risk associated with a major intermediary partner going out of business or switching allegiance to other lenders is the potential negative effect on Virgin Money's lending volume. In addition, Virgin Money may be exposed to many of the risks inherent in dealing with intermediaries. For example, Virgin Money will have limited oversight of the intermediaries' interactions with prospective customers and, consequently, Virgin Money faces certain risks related to the conduct of the mortgage intermediaries with which it does business. The intermediaries' incentives may not always align with Virgin Money's, which could lead to a deterioration in the quality and performance of Virgin Money's mortgage book. If mortgage intermediaries are found to have violated applicable conduct regulations or standards in the sale of Virgin Money's mortgage products, Virgin Money's brand and/or reputation could be harmed as a result. In addition, the structure of the intermediary market is also subject to change, for example, there

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

The credit card business is reliant on a number of Virgin Money's key relationships, including with Total System Services, Inc. ("TSYS") (which provides customer servicing capabilities). Virgin Money's ability to issue credit cards and service customers could be impaired in the event of:

- the failure of third party systems or technology platforms, which could cause temporary service outage, adversely affect customers and negatively impact Virgin Money's reputation; and
- any complete corporate failure of a third party, which could more significantly impact customers and Virgin Money's reputation and, potentially, give rise to claims by customers for financial loss experienced and/or regulatory sanctions.

***Virgin Money is reliant on its brand and therefore there are reputational risks which could cause harm to Virgin Money and its business prospects***

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

- poor customer service or technology failures that impact upon customer services and accounts, see, for example, "*Operational Risk; Cyber-crime*" above;
- failing to address potential conflicts of interest appropriately;
- breaching or facing allegations of having breached legal and regulatory requirements in respect of the business it has originated or in respect of the business it has acquired, including Northern Rock plc. These requirements include, but are not limited to, conduct requirements, data protection, money laundering and anti-terrorism financing requirements;
- acting or facing allegations of having acted unethically including having adopted inappropriate sales and trading practices;
- failing or facing allegations of having failed to maintain appropriate standards of customer privacy, customer service and record keeping;
- failing to properly identify legal, reputational, credit, liquidity and market risks inherent in products offered by Virgin Money;
- intermediaries and other third parties on whom Virgin Money relies, such as clearing banks, TSYS for credit cards and third party mortgage servicing agents, failing to provide the necessary services; and
- generally poor business performance.

A failure to address these or any other relevant issue appropriately could make customers, depositors and investors less willing to do business with Virgin Money, which may materially adversely affect its business, financial condition, results of operations and/or prospects, and could damage its relationships with its regulators. As a result Virgin Money cannot ensure that it will be successful in avoiding damage to its business from reputational risk.

Virgin Money is also exposed to reputational risk through its reliance on the Virgin brand. The Virgin brand is used in a wide range of different economic sectors in the UK and internationally. Adverse publicity in relation to others associated with the Virgin brand (including Sir Richard Branson) could

result in an adverse effect on Virgin Money's business, financial condition, results of operations and/or prospects.

***Recent legislative and regulatory changes and future legislative and regulatory changes are imposing or could impose operational restrictions on Virgin Money, require Virgin Money to raise further capital, increase Virgin Money's expenses and/or otherwise have a material adverse effect on its business, financial condition, results of operations and/or prospects***

As a financial services firm, Virgin Money is subject to extensive and comprehensive regulations. The Issuers conduct their business subject to ongoing regulation by the FCA and the PRA. The regulatory regime requires Virgin Money to be in compliance across many aspects of its activity, including the training, authorisation and supervision of personnel, systems, processes and documentation. If Virgin Money fails to comply with any relevant regulations, there is a risk of a material adverse effect on its business due to sanctions, fines or other action imposed by the regulatory authorities.

There is an increased focus by regulators on the appropriateness and sustainability of business models of regulated firms, with the regulators having the power to restrict a firm's ability to develop existing products, enter into new product areas or make acquisitions. The regulators no longer focus exclusively on the financial strength of a regulated firm, but also consider non-financial resources available to the firm in assessing whether a firm continues to meet the threshold conditions. If the regulators were to believe that Virgin Money does not meet threshold conditions, they can remove or restrict Virgin Money's permissions or require a restructuring of its business.

Regulators and other policy making bodies in the UK and worldwide have produced and, in many cases, adopted a range of legislative and regulatory proposals and changes which have and could impose operational restrictions on Virgin Money, cause Virgin Money to raise further capital, increase Virgin Money's expenses and/or otherwise have a material adverse effect on its business, financial condition, results of operations and/or prospects. Future changes in regulation, and/or fiscal or other policies, are unpredictable and beyond Virgin Money's control and could have a material effect on its business or operations. In particular:

- the Financial Services (Banking Reform) Act 2013 has enacted a number of reforms primarily related to the UK banking sector, including the ring-fencing of certain activities. The secondary legislation setting out the detail of the ring-fencing regime exempts from ring-fencing those banks whose 'core deposits' (as defined in the secondary legislation and assessed on a group-wide basis) do not exceed £25 billion as a rolling average over a three-year period. Based on the Bank's current business plan and financial position, the Bank expects to be within the scope of application of the ring-fencing regime by the implementation date of 1 January 2019;
- Virgin Money's borrowing costs and capital requirements could be affected by prudential regulatory developments, which include the legislative package, CRD IV, implementing the proposals of the Basel Committee (known as "**Basel III**") in the EU and repealing the existing capital requirements directives and other regulatory developments impacting capital, leverage, liquidity positions (including the imposition of the Liquidity Coverage Ratio ("**LCR**") and the net stable funding ratio) and its legal entity structure (including with regard to issuance and deployment of capital and funding for the Virgin Money Group). CRD IV requirements adopted in the UK may change whether as a result of further changes to CRD IV agreed by EU legislators, binding regulatory technical standards to be developed by the European Banking Authority (the "**EBA**"), changes to the way in which the PRA interprets and applies these requirements to UK banks (including as regards individual model approvals granted by the PRA). For example, on 23 November 2016, the EU Commission proposed substantial changes to the CRD IV framework. The changes include setting higher capital and additional loss absorbing capacity requirements, increasing the powers of the relevant competent authorities and incorporating regulatory definition of trading activity, standardised and advanced RWA calculation methodologies for market risk and new standardised risk-weighted asset ("**RWA**") rules for counterparty credit risk. The proposal also includes phase-in arrangements for the regulatory capital impact of IFRS 9 and the ongoing interaction of IFRS 9 with the regulatory framework, including potential changes to relevant accounting standards, which may in turn result in changes to the methodologies which the Virgin Money Group is required to adopt for the valuation of financial instruments. IFRS 9 became effective on 1 January 2018. Transitional arrangements have been agreed at a European level to mitigate the impact of IFRS 9. The decision to apply those transitional arrangements is at

the discretion of firms, on the assumption that they inform the local competent authority of their plans to use IFRS 9 transitional arrangements. The impact of changes to IFRS which have yet to come into effect are not capable of accurate quantification at this time, but the change in the fair values of financial instruments resulting from the above could have a material adverse effect on the Virgin Money Group's financial condition, results of operations and, if such changes are significant, its prospects.

Virgin Money's ability to do business could be constrained if it fails to maintain sufficient levels of capital. Further, if Virgin Money fails to meet its minimum regulatory capital requirements, this could result in administrative actions or sanctions against it. Effective management of Virgin Money's capital is critical to its ability to operate and grow its business and to pursue its strategy. Any change that limits Virgin Money's ability to manage its balance sheet and capital resources effectively (including, for example, reductions in profits and retained earnings as a result of credit losses, write downs or otherwise, increases in risk weighted assets, delays in the disposal of certain assets or the inability to raise finance through wholesale markets as a result of market conditions or otherwise) could have a material adverse effect on its business, financial condition, results of operations and/or prospects;

- the Bank Recovery and Resolution Directive ("**BRRD**") established an EU-wide framework for the recovery and resolution of credit institutions and investment firms. See "*Regulatory action in the event a bank or investment firm in the Virgin Money Group is failing or is likely to fail could materially adversely affect the value of the Notes*" below. To support the effectiveness of bail-in and other resolution tools, the BRRD requires that all institutions must meet an individual minimum requirement for own funds and eligible liabilities ("**MREL**") requirement, 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". In November 2016, the Bank of England published a policy paper entitled "*The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL) – Responses to Consultation and a Statement of Policy*". The paper sets out the Bank of England's final policy for exercising its power to direct institutions to maintain a minimum requirement for MREL under section 3A(4) of the Banking Act 2009, as amended (the "**Banking Act**").

For institutions for which bail-in is the appropriate resolution strategy and which are not classified as systemically important (including, as at the date of this Offering Circular, the Bank), MREL will be introduced in two phases. From 1 January 2020, such institutions will be required to meet an interim MREL equivalent to 18 per cent. of risk-weighted assets ("**RWAs**"). Such institutions will be required to meet their end-state MREL equivalent from 1 January 2022, which will be the higher of (i) two times the sum of the firm's Pillar 1 and Pillar 2A or (ii) if subject to a leverage ratio requirement, two times the applicable requirement. However, before the end of 2020, the Bank of England will review its general approach to the calibration of MREL and the final transition date, prior to setting end-state MREL. In doing so, the Bank of England has stated that it will have particular regard to any intervening changes in the UK regulatory framework as well as institutions' experience in issuing MREL resources to meet their interim MREL. The Bank of England has stated that it will also take into account any changes to regulatory capital requirements, including the likely changes to the capital framework arising from the work of the Basel Committee on Banking Supervision. The Bank of England has stated that capital buffers will be excluded from its calibration of the loss absorption amount and that the level and other conditions relating to MREL will be aligned, where applicable, with the proposals published in November 2014 by the Financial Stability Board (the "**FSB**") for a new international standard on total loss absorbing capacity ("**TLAC**") for globally systemically important banks ("**G-SIBs**"), albeit the Bank not being a G-SIB based on the latest FSB list published in November 2017. However, these policies may be subject to change, in particular, once the EU proposals in relation to MREL and TLAC are finalised and depending on how the UK is then required or decides to implement them.

Final MREL requirements will require consultation with competent authorities and relevant European Union resolution authorities. Accordingly, the indicative MREL requirements published by the Bank of England are not binding or a definitive determination of future consolidated MREL requirements. Consequently, it is difficult to predict the full effect MREL may have on the Virgin Money Group until MREL has been fully implemented. It is possible that

the Issuers and/or other members of the Virgin Money Group may have to issue MREL eligible liabilities in order to meet the new requirements within the required timeframes and/or alter the quantity and type of internal capital and funding arrangements within the Virgin Money Group. During periods of market dislocation, or when there is significant competition for the type of funding that the Virgin Money Group needs, a requirement to increase the Virgin Money Group's MREL eligible liabilities in order to meet MREL targets may prove more difficult and/or costly. More generally, these measures could increase the Virgin Money Group's costs and may lead to asset sales and/or other balance sheet reductions. The effects of these measures could all adversely impact the results of operations, financial condition and prospects of the Virgin Money Group and, in turn, adversely affect the value of the Notes.

On 23 November 2016, the EU Commission published, among other proposals, proposals to amend the BRRD, including provisions related to MREL. The majority of these proposals are in draft form and are still subject to the EU legislative process and national implementation. Therefore, it is unclear what the effect of such proposals may be on the Virgin Money Group, the Issuers or the Notes;

- the Mortgage Credit Directive ("**MCD**") asserts that Member States shall require creditors, credit intermediaries or appointed representatives (as applicable), among other things, to provide consumers with certain personalised pre-contractual information and to adhere to business conduct rules. The directive also requires calculation of the annual percentage rate of charge in accordance with a prescribed formula, imposes a ban on certain tying practices (i.e. offering or selling a credit agreement in a package of products, where the credit agreement is not also made available to the consumer separately) and requires that a consumer has a right to make early repayment. The MCD is broader in scope than previous UK mortgage regulation and applies a standard approach to certain niche mortgage markets that the FCA did not previously regulate, including buy-to-let mortgages. The MCD provides Member States with the option not to apply the directive to buy-to-let mortgage lending, where an alternative appropriate framework for the regulation of this type of credit has been established. The UK government is utilising this option and has established a framework, set out in the Mortgage Credit Directive Order 2015 (SI 2015/910) (the "**MCD Order**"), that is supervised and enforced by the FCA. The MCD Order states that firms carrying on certain regulated activities must register with the FCA as a consumer buy-to-let mortgage firm before providing buy-to-let mortgage business. A registered consumer buy-to-let mortgage firm must comply with the detailed obligations and record-keeping requirements set out in the MCD Order. This is likely to result in an increase in Virgin Money's compliance costs associated with Virgin Money's mortgage business. In addition, as a result of the MCD Order, second charge mortgage lending will be brought into the FCA's regime for mortgage lending. The FCA is achieving this by ensuring that the FCA's Mortgages and Home Finance: Conduct of Business ("**MCOB**") sourcebook rules apply to second charge lending. Consequently, second charge firms must comply with a number of requirements set out in MCOB, including in relation to disclosures and fees. Virgin Money's mortgage business is central to its strategy and, as a result, regulatory developments in respect of mortgage lending present considerable risk to Virgin Money and it is anticipated that the implementation of the MCD would have a material impact on Virgin Money;
- in March 2015, the FCA, published the final findings from its retirement income market study. The study concluded that competition in this market was not working well and proposed a number of remedies aimed at improving consumer choice, including requiring firms to provide annuity quotation rankings in order for consumers to easily identify whether they are getting the best deal. The FCA is continuing to monitor this market. Future rule changes may have operational or regulatory implications for the market that could affect Virgin Money's unit trust management business;
- MiFID II and the associated regulation (the Markets in Financial Instruments Regulation) (together "**MiFID II/MiFIR**") entered into force on 2 July 2014 and the majority of provisions applied from 3 January 2018. MiFID II/MiFIR bans firms who provide investment advice on an independent basis or who provide portfolio management from accepting or receiving fees, commissions or any other monetary or non-monetary benefits paid or provided by any third party (unless such non-monetary benefit is minor and meets certain additional criteria). MiFID II/MiFIR overlaps with the UK retail distribution rules (the "**RDR**") which restrict commission payments to all investment advisers and not only "independent" investment advisers. The FCA

has noted that the main impact of the MiFID II/MiFIR restrictions on inducements is on portfolio managers. Both the RDR and the MiFID II/MiFIR rules on inducements may affect Virgin Money's financial product investment business' profitability. MiFID II/MiFIR also introduced investor protection measures which include product governance requirements and enhanced suitability requirements. These requirements could increase the cost of distributing financial products to retail clients and increase the risk of non-compliance;

- Open Banking and the second Payment Services Directive came into force in January 2018, and the General Data Protection Regulation is due to follow in May 2018. These changes, both in isolation and in combination, will have effects on banking operations across the industry and have the potential to increase costs for banks as the new legislation is embedded; and
- the ongoing reforms of derivatives markets are likely to increase the Issuers' costs in respect of its OTC derivative transactions. The requirements under the European Market Infrastructure Regulation (EU Regulation No. 648/2012 on OTC derivatives, central counterparties and trade repositories) in respect of the mandatory clearing of certain types of derivatives transactions and margin requirements for uncleared derivatives transactions came into force during 2016 and 2017 in respect of certain entities and are scheduled to come into force in 2018 in respect of certain other entities. Further market reforms have been introduced by MiFID II/MiFIR. The full impact of these changes is not yet known but the Issuers' costs in respect of its derivatives transactions are likely to increase.

The PRA has published rules implementing the FPC recommendations on loan to income ratios in the UK residential mortgage market. The rules, set out in the Housing Part of the PRA Rulebook, require a firm to ensure that it limits the number of mortgage loans made at or greater than 4.5 times loan to income to no more than 15 per cent. of their total number of new mortgage loans entered into in a calendar quarter. This measure is designed to reduce household indebtedness and to attempt to ensure that house prices do not rise faster than household income, as high levels of household indebtedness are associated with a high probability of household distress which can cause a sharp fall in consumer spending, which can weigh on wider economic activity. In addition, following discussion at the FPC's meeting on 26 September 2014, the FPC recommended that Her Majesty's Treasury ("**HM Treasury**") exercise its statutory power to enable the FPC to direct, if necessary to protect and enhance financial stability, the PRA and the FCA to require regulated lenders (which would include the Bank) to place limits on owner-occupied residential mortgage lending by reference to: (a) loan to value ratios; and (b) debt to income ratios. In order to give effect to the FPC recommendations, the Bank of England 1998 (Macro-prudential Measures) Order 2015 came into force on 6 April 2015. It is possible that these changes, or any of the further recommendations which the FPC may issue, may affect the UK mortgage market, reduce the demand for Virgin Money's mortgage products or have a material adverse impact on Virgin Money's ability to meet its strategic lending targets.

In addition, it is possible that regulatory and/or legislative changes could prompt the development of new rules to, among other things, increase competition in the markets, or analogous or competing markets, in which Virgin Money operates. This could result in a material adverse impact or increased operational and compliance costs to the industry and therefore on Virgin Money. It is impossible to predict the effect that any of the proposed changes will have on Virgin Money's business, financial condition, results of operations and/or prospects or how any of the proposals discussed above will be implemented in light of the fundamental changes to the regulatory environment proposed by the UK Government and the European Commission. Depending on the specific nature of the requirements and how they are enforced, such changes could have a significant impact on Virgin Money's operations, structure, costs and/or capital requirements. Accordingly, Virgin Money cannot ensure that the implementation of any of the foregoing matters or any other regulatory or legislative changes that may be proposed will not have a material adverse effect on its business, financial condition, results of operations and/or prospects.

***Virgin Money is required to pay levies under the Financial Services Compensation Scheme and is exposed to future increases of such levies, which might impact its profits***

The regulatory response in the UK to the financial crisis of 2008 includes the imposition of levies by the Financial Services Compensation Scheme ("**FSCS**"). The FSCS pays compensation to eligible customers of authorised financial services firms which are unable, or are likely to be unable, to pay claims against them. While it is anticipated that the substantial majority of claims will be repaid wholly from recoveries from the institutions concerned, there is the risk of a shortfall, such that the FSCS may place additional

levies on all FSCS participants. Any such levies may be significant amounts that may, as a result, have a material effect on Virgin Money's profits. In common with other financial institutions which are subject to the FSCS, Virgin Money also has a potential exposure to future levies resulting from the failure of other financial institutions and claims which arise against the FSCS as a result of such failure. Historically, compensation scheme levies similar to the FSCS have tended to increase over time (especially during and in the aftermath of periods of economic crisis), and there can also be no assurance that there will not be any further claims against the FSCS and subsequent increased FSCS levies payable by Virgin Money. Any such increases in Virgin Money's costs and liabilities related to the levy may have a material adverse effect on its results of operations.

In April 2014, the recast EU directive on deposit guarantee schemes ("**DGSD2**") was adopted and was published in the Official Journal of the European Union on 12 June 2014. Member States had until 3 July 2015 to transpose the majority of the DGSD2 provisions into national law. DGSD2 introduced financing requirements on banks to contribute to their national deposit guarantee scheme at least annually. In addition, by 3 July 2024 Member States are required to ensure that the available financial means of a deposit guarantee scheme have reached a target pre-funded level of at least 0.8 per cent. of the amount of covered deposits that are held by the deposit guarantee scheme's member. This is a change from the previous operation of the UK financing scheme where fees were required after a payment to depositors had occurred. In cases where this pre-funded level is insufficient to cover payments to depositors, the deposit guarantee scheme can collect immediate post event contributions from the banking sector and, as a last resort, it can have access to alternative funding arrangements such as loans from third parties. In the UK, DGSD2 was transposed into law and regulation by HM Treasury and the PRA. The PRA's rules implementing DGSD2 are set out in the Depositor Protection Part of the PRA Rulebook ("**DPRs**"). The majority of the rules in the DPRs (including in relation to the funding of the deposit guarantee scheme) began to apply from 3 July 2015. In addition to a compensation costs levy, the DPRs permit management expenses levies and legacy costs levies to be imposed on deposit guarantee scheme members. It is therefore possible, as a result of DGSD2 and the DPRs, that future FSCS levies on the Bank may differ from those at present, and such reforms could result in Virgin Money incurring additional costs and liabilities, which may have a material adverse effect on its profitability.

***Virgin Money is exposed to many forms of legal and regulatory risk***

Virgin Money is exposed to many forms of legal and regulatory risk, which may arise in a number of ways. In particular:

- the high level of scrutiny of the treatment of customers by financial institutions from regulatory bodies, the press and politicians may continue; the FCA in particular continues to focus on retail conduct risk issues, as well as conduct of business activities through its supervision activity;
- certain aspects of its business may be determined by the PRA, the FCA, the CMA, HM Treasury, the Financial Ombudsman Service or the courts as not being conducted in accordance with applicable laws or regulations, or, in the case of the Financial Ombudsman Service, with what is fair and reasonable in the Ombudsman's opinion;
- the FCA introduced new rules into its Handbook as a result of the MMR, which launched in 2009. The majority of these rules took effect on 26 April 2014 and include, among other things, a requirement for lenders to undertake a customer loan-affordability assessment in accordance with detailed requirements, transitional arrangements that (in limited circumstances) allow lenders to provide new mortgages or deal to customers with existing loans who may not meet the MMR requirements for the loan, a ban on self-certified loans and new requirements relating to interest-only loans. This is in addition to regulatory reforms being made as a result of the implementation of the Mortgage Credit Directive from 21 March 2016 (see "*Risk Factors - Recent legislative and regulatory changes and future legislative and regulatory changes are imposing or could impose operational restrictions on Virgin Money, require Virgin Money to raise further capital, increase Virgin Money's expenses and/or otherwise have a material adverse effect on its business, financial condition, results of operations and/or prospects*" above for further details);
- Virgin Money may breach or face allegations of having breached legal and regulatory requirements in respect of business originated by it or which it has acquired, including Northern Rock plc. These requirements include, but are not limited to, conduct requirements, data protection, money laundering and anti-terrorism financing requirements;

- the European Commission's General Data Protection Regulation will come into force on 25 May 2018 and provide a single set of rules on data protection, directly applicable in all EU Member States. The main provisions include a requirement to notify regulators of breaches within 72 hours of identification, increased sanctions including fines of up to 4 per cent. of an enterprise's annual worldwide turnover and reduced timelines within which firms must respond to subject access requests (within 30 calendar days). Consumers will also be able to request deletion of all personal data held by the data controller and third party recipients. The Virgin Money Group has established a project and is employing a third party to provide peer comparison. This change will significantly increase the regulatory burden in relation to processing personal customer, employee and other data in the course of business and ensuring ongoing compliance with the regime;
- as is common with many other consumer credit lenders in the UK, Virgin Money's credit card agreements may not in all circumstances comply in all respects with the Consumer Credit Act 1974 ("CCA") or other related or similar legislation (such as the Financial Services (Distance Marketing) Regulations 2004). In such circumstances, as a result, these agreements may only be enforceable at the discretion of the courts (and in relation to pre 6 April 2007 agreements may be entirely unenforceable) or in certain circumstances customers may have the right to cancel their agreement. In addition, it is possible, in certain circumstances that Virgin Money's mortgage contracts may also be subject to the requirements of the CCA and therefore wholly or partly regulated as credit agreements under the CCA. As a result, it is possible that these agreements may also be unenforceable for any period where Virgin Money has failed to comply with the requirements of the CCA;
- the transfer of consumer credit regulation from the Office of Fair Trading to the FCA from 1 April 2014 may result in the FCA carrying out historical reviews of credit agreements (whether originated by Virgin Money or acquired by Virgin Money as part of loan portfolio acquisitions) which now fall under its jurisdiction. This could result in the FCA imposing sanctions in relation to existing agreements and imposing new requirements in respect of future agreements thereby adversely impacting the financial position and performance of Virgin Money's credit card business;
- any alleged mis-selling of financial products, including as a result of having sales practices and/or reward structures in place that are determined to have been inappropriate, may result in disciplinary action (including significant fines) or requirements to amend sales processes, withdraw products or provide restitution to affected customers, all or any of which could result in the incurrence of significant costs, may require provisions to be recorded in Virgin Money's financial statements and may materially adversely affect future revenues from affected products;
- contractual obligations may either not be enforceable as intended or may be enforced against Virgin Money in an adverse way;
- intellectual property may not be protected as intended or Virgin Money may use intellectual property which infringes, or is alleged to infringe, the rights of third parties; and
- Virgin Money may be liable for damages to third parties harmed by the manner in which it has conducted one or more aspects of its business.

Failure to manage these risks adequately, or a failure by Virgin Money to have identified any such risks in the assets it acquired as a result of its acquisition of Northern Rock plc or as a result of any other subsequent asset portfolio acquisitions (including the further mortgage portfolio acquired from NRAM (as defined below) on 20 July 2012 and the acquisition of the Virgin Money branded credit card portfolio held by MBNA Europe Bank Limited ("MBNA")), could lead to significant liabilities or reputational damage and have a material adverse effect on Virgin Money's relations with its customers. In addition, Virgin Money may be subject to other penalties and injunctive relief, civil or private litigation arising out of a regulatory investigation, the potential for criminal prosecution in certain circumstances and regulatory restrictions on Virgin Money's business. All of these issues could have a negative effect on Virgin Money's reputation and the confidence of its customers in Virgin Money, as well as taking a significant amount of management time and resources away from the implementation of Virgin Money's strategy.

Virgin Money also faces both financial and reputational risk where legal or regulatory proceedings are brought against it or members of its industry generally in the UK High Court or elsewhere, or where complaints are made against it or members of its industry generally to the Financial Ombudsman Service or another relevant body.

There is currently a significant regulatory focus on the fairness of contract terms, sales practices and reward structures that financial institutions have used when selling financial products. Financial institutions (including Virgin Money) may incur liability for past actions which are determined to have been inappropriate and any such liability incurred could be significant and have a material adverse effect on Virgin Money's reputation, business, financial condition, results of operations and/or prospects.

***Virgin Money is exposed to the risk of changes in tax legislation and its interpretation and to variances in the rate of corporate and other taxes***

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

Virgin Money is presently not subject to the UK bank levy provided for by the Finance Act 2011 as many of its eligible liabilities are covered by the deposit protection scheme. Growth in eligible liabilities or developments in bank levy legislation may expose Virgin Money to the bank levy in the future.

***Virgin Money has significant shareholders whose interests may differ from those of investors in the Notes***

As at 31 December 2017, Virgin Group Holdings Limited (the "**Controlling Shareholder**") owns 34.86 per cent. of the voting rights of HoldCo. The interests of the Controlling Shareholder could conflict with those of Virgin Money and investors in the Notes. HoldCo is party to a relationship agreement with the Controlling Shareholder (the "**Relationship Agreement**"), to ensure that Virgin Money is capable at all times of carrying on its business independently of its Controlling Shareholder (as defined in the FCA's Listing Rules) and their associates. While it remains a significant shareholder of HoldCo, the Controlling Shareholder will, subject to the terms of the Relationship Agreement, have the power, among other things, to take actions which may favour the shareholders at the expense of the holders of debt securities including Noteholders.

As at the 31 December 2017, Standard Life Aberdeen plc (the "**Major Shareholder**") owns 12.08 per cent. of the voting rights of HoldCo. The interests of the Major Shareholder could conflict with those of Virgin Money and investors in the Notes.

***Virgin Money is licensed to use its name and brand but does not own them***

In order for Virgin Money to continue to use the "Virgin" and "Virgin Money" names and brands, Virgin Money is required to comply with certain obligations under the trademark licence agreement entered into between HoldCo and Virgin Enterprises Limited ("**VEL**") on 1 October 2014 and subsequently amended on 25 July 2016 ("**Virgin Money Trade Mark Licence Agreement**").

The Virgin Money Trade Mark Licence Agreement has a perpetual term. VEL has the right to terminate the Virgin Money Trade Mark Licence Agreement if Virgin Money challenges VEL's ownership of, entitlement to license and/or the validity of certain of the licensed trademarks, upon HoldCo's insolvency, upon HoldCo's material, unremedied breach of the Virgin Money Trade Mark Licence Agreement or if HoldCo undergoes a change of control which is not permitted under the Virgin Money Trade Mark Licence Agreement. Loss of Virgin Money's rights to use the Virgin and Virgin Money names and brands under the Virgin Money Trade Mark Licence Agreement could have a material adverse effect on Virgin Money's business, financial condition, results of operations and/or prospects.

VEL may allow other VEL licensees to use the Virgin names and brands for financial products and services in certain defined circumstances. The use by any other VEL licensee of the Virgin name in relation to financial services and products represents a minor dilution of Virgin Money's exclusivity in the

financial services field, and could (i) cause customer confusion and (ii) create potential reputational damage if the VEL licensee providing the ancillary financial products or services does anything that damages the goodwill of the brand.

**Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

***Regulatory action in the event a bank or investment firm in the Virgin Money Group is failing or is likely to fail could materially adversely affect the value of the Notes***

*The Banking Act confers substantial powers on a number of UK authorities designed to enable them to take a range of actions in relation to UK banks or investment firms and certain of their affiliates (currently including HoldCo) in the event a bank or investment firm in the same group is considered to be failing or likely to fail. The exercise of any of these actions in relation to the relevant Issuer could materially adversely affect the value of any Notes.*

The majority of the requirements of the BRRD (including the bail-in tool) were implemented in the UK by way of amendments to the Banking Act. For more information on the bail-in tool, see "*The relevant UK resolution authority may exercise the bail-in tool in respect of the relevant Issuer and the Notes, which may result in holders of the Notes losing some or all of their investment*" below.

Under the Banking Act, substantial powers are granted to the Bank of England (or, in certain circumstances, HM Treasury), in consultation with the PRA, the FCA and HM Treasury, as appropriate as part of a special resolution regime (the "SRR"). These powers enable the relevant UK resolution authority to implement resolution measures with respect to a UK bank or investment firm and certain of its affiliates that meet the definition of a "banking group company" (currently including HoldCo) (each a "relevant entity") in circumstances in which the relevant UK resolution authority is satisfied that the resolution conditions are met. Such conditions include that a UK bank or investment firm or a UK banking group company is failing or is likely to fail to satisfy the FSMA's threshold conditions for authorisation to carry on certain regulated activities (within the meaning of section 55B FSMA).

The SRR consists of five stabilisation options: (a) private sector transfer of all or part of the business or shares of the relevant entity; (b) transfer of all or part of the business of the relevant entity to a "bridge bank" established by the Bank of England; (c) transfer to an asset management vehicle wholly or partly owned by HM Treasury or the Bank of England; (d) the bail-in tool (as described below); and (e) temporary public ownership (nationalisation).

The Banking Act also provides for two new insolvency and administration procedures for relevant entities. Certain ancillary powers include the power to modify contractual arrangements in certain circumstances (which could include a variation of the terms of the Notes), powers to impose temporary suspension of payments, powers to suspend enforcement or termination rights that might be invoked as a result of the exercise of the resolution powers and powers for the relevant UK resolution authority to disapply or modify laws in the UK (with possible retrospective effect) to enable the powers under the Banking Act to be used effectively.

A holder of the Notes should assume that, in a resolution situation, financial public support will only be available to a relevant entity as a last resort after the relevant UK resolution authorities have assessed and used, to the maximum extent practicable, the resolution tools, including the bail-in tool (as described below).

The exercise of any resolution power or any suggestion of any such exercise could materially adversely affect the value of any Notes and could lead to Noteholders losing some or all of the value of their investment in the Notes.

*The SRR is designed to be triggered prior to insolvency of the relevant Issuer, and holders of the Notes may not be able to anticipate the exercise of any resolution power (including the bail-in tool) by the relevant UK resolution authority*

The stabilisation options are intended to be used prior to the point at which any insolvency proceedings with respect to the relevant entity could have been initiated. The purpose of the stabilisation options is to address the situation where all or part of a business of a relevant entity has encountered, or is likely to encounter, financial difficulties, giving rise to wider public interest concerns.

Although the Banking Act provides specific conditions to the exercise of any resolution powers and, furthermore, the EBA guidelines published in May 2015 set out the objective elements for the resolution authorities to apply in determining whether an institution is failing or likely to fail, it is uncertain how the relevant UK resolution authority would assess such conditions in any particular pre-insolvency scenario affecting the relevant Issuer and/or other members of the Virgin Money Group and in deciding whether to exercise a resolution power. The relevant UK resolution authority is also not required to provide any advance notice to holders of the Notes of its decision to exercise any resolution power. Therefore, holders of the Notes may not be able to anticipate a potential exercise of any such powers nor the potential effect of any exercise of such powers on the relevant Issuer, the Virgin Money Group and the Notes.

*Noteholders may have only very limited rights to challenge the exercise of any resolution powers (including the UK bail-in tool) by the relevant UK resolution authority*

Noteholders may have only very limited rights to challenge and/or seek a suspension of any decision of the relevant UK resolution authority to exercise its resolution powers or to have that decision reviewed by a judicial or administrative process or otherwise.

*The relevant UK resolution authority may exercise the bail-in tool in respect of the relevant Issuer and the Notes, which may result in holders of the Notes losing some or all of their investment*

Where the relevant statutory conditions for use of the bail-in tool have been met, the relevant UK resolution authority would be expected to exercise these powers without the consent of the Noteholders. Any such exercise of the bail-in tool in respect of the relevant Issuer and the Notes 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 the Notes into shares or other securities or other obligations of the relevant Issuer or another person, or any other modification or variation to the terms of the Notes.

The Banking Act specifies the order in which the bail-in tool should be applied, reflecting the hierarchy of capital instruments under CRD IV and otherwise respecting the hierarchy of claims in an ordinary insolvency. In addition, the bail-in tool contains an express safeguard (known as 'no creditor worse off') with the aim that shareholders and creditors do not receive a less favourable treatment than they would have received in ordinary insolvency proceedings of the relevant entity. Following the proposals published by the European Commission of 23 November 2016, a new Directive (EU) 2017/2399 (the "**Creditor Hierarchy Directive**") came into force which amends the BRRD as regards the ranking of unsecured debt instruments in the insolvency hierarchy. The Creditor Hierarchy Directive, when transposed into national law, will introduce a new creditor hierarchy for unsecured debt instruments with the inclusion of a new MREL/TLAC eligible subordinated debt class within that hierarchy. Member States have until 29 December 2018 to transpose the Creditor Hierarchy Directive into national law.

The exercise of the bail-in tool in respect of the relevant Issuer and the Notes or any suggestion of any such exercise could materially adversely affect the rights of the Noteholders, the price or value of their investment in the Notes and/or the ability of the relevant Issuer to satisfy its obligations under the Notes and could lead to Noteholders losing some or all of the value of their investment in such Notes. In addition, even in circumstances where a claim for compensation is established under the 'no creditor worse off' safeguard in accordance with a valuation performed after the resolution action has been taken, it is unlikely that such compensation would be equivalent to the full losses incurred by the holders of the Notes in the resolution and there can be no assurance that Noteholders would recover such compensation promptly.

*Mandatory write-down and conversion of capital instruments may affect the Tier 2 Capital Notes*

In addition, the Banking Act requires the relevant UK resolution authority to permanently write-down, or convert into equity, tier 1 capital instruments and tier 2 capital instruments (such as the Tier 2 Capital Notes) at the point of non-viability of the relevant entity and before, or together with, the exercise of any stabilisation option (except where the bail-in tool is to be utilised for other liabilities, in which case such capital instruments would be written down or converted into equity pursuant to the exercise of the bail-in tool, as described above, rather than the mandatory write-down and conversion power applicable only to capital instruments).

For the purposes of the application of such mandatory write-down and conversion power, the point of non-viability is the point at which the relevant UK resolution authority determines that the relevant entity

meets the conditions for resolution (but no resolution action has yet been taken) or that the relevant entity will no longer be viable unless the relevant capital instruments are written down or converted or the relevant entity requires extraordinary public support without which, the relevant UK resolution authority determines that the relevant entity would no longer be viable.

Holders of Tier 2 Capital Notes may be subject to write-down or conversion into equity on application of such powers (without requiring such Noteholders' consent), which may result in such Noteholders losing some or all of their investment. The 'no creditor worse off' safeguard would not apply in relation to an application of such mandatory write-down and conversion powers in circumstances where resolution powers (such as the bail-in tool) are not also exercised.

The exercise of such mandatory write-down and conversion power under the Banking Act or any suggestion of such exercise could, therefore, materially adversely affect the rights of Holders of Tier 2 Capital Notes, the price or value of their investment in the Tier 2 Capital Notes and/or the ability of the relevant Issuer to satisfy its obligations under the Notes.

*As insured deposits are excluded from the scope of the bail-in tool and other preferred deposits (and insured deposits) rank ahead of any Notes issued by the Bank, such Notes would be more likely to be bailed-in than certain other unsubordinated liabilities of the Bank (such as other preferred deposits)*

As part of the reforms required by the BRRD, amendments have been made to relevant legislation in the UK (including the UK Insolvency Act 1986) to establish in the insolvency hierarchy a statutory preference (i) firstly, for deposits that are insured under the U.K. FSCS ("**insured deposits**") to rank with existing preferred claims as 'ordinary' preferred claims and (ii) secondly, for all other deposits of individuals and micro, small and medium sized enterprises held in EEA or non-EEA branches of an EEA bank ("**other preferred deposits**"), to rank as 'secondary' preferred claims only after the 'ordinary' preferred claims. In addition, the UK implementation of the EU Deposit Guarantee Scheme Directive increased, from July 2015, the nature and quantum of insured deposits to cover a wide range of deposits, including corporate deposits (unless the depositor is a public sector body or financial institution) and some temporary high value deposits. The effect of these changes is to increase the size of the class of preferred creditors. All such preferred deposits will rank in the insolvency hierarchy ahead of all other unsecured senior creditors of the Bank, including the holders of the Notes issued by the Bank. Furthermore, insured deposits are excluded from the scope of the bail-in tool. As a result, if the bail-in tool were exercised by the relevant UK resolution authority, the Notes issued by the Bank would be more likely to be bailed-in than certain other unsubordinated liabilities of the Bank such as other preferred deposits.

#### ***Certain Notes may be redeemed prior to maturity***

Unless in the case of any particular Tranche of Notes where the relevant Final Terms specify otherwise, in the event that due to a change or proposed change in law or regulation the relevant Issuer would be obliged to increase the amounts payable in respect of any Notes due to any 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 or on behalf of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, the relevant Issuer may redeem all outstanding Notes in accordance with the Conditions (subject, in each case to the extent required under the then prevailing Capital Regulations, to the prior consent of the Supervisory Authority and/or any other relevant national or European authority and compliance with certain regulatory conditions). Furthermore, the relevant Issuer may be entitled to redeem the Tier 2 Capital Notes if as a result of a change or proposed change in law or regulation, the tax treatment for such Issuer in respect of the Tier 2 Capital Notes is negatively altered after their issue date or if a change in the regulatory classification of the relevant Tier 2 Capital Notes occurs on or after their issue date, in each case in the circumstances described in Condition 10(c) (*Redemption and Purchase – Redemption for tax reasons*) and 10(d) (*Redemption and Purchase -Regulatory Event Redemption of Tier 2 Capital Notes*) (as applicable) and subject, in each case to the extent required under the then prevailing Capital Regulations, to the prior consent of the Supervisory Authority and/or any other relevant national or European authority and compliance with certain regulatory conditions.

In addition, if in the case of any particular Tranche of Notes the relevant Final Terms specify that the Notes are redeemable at the relevant Issuer's option in certain other circumstances or at any time (subject, in each case to the extent required under the then prevailing Capital Regulations, to the prior consent of

the Supervisory Authority and/or any other relevant national or European authority and compliance with certain regulatory conditions), the relevant Issuer may be expected to choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes being redeemed and may only be able to do so at a significantly lower rate.

The relevant Issuer may also redeem a Series of Senior Notes upon the occurrence of certain regulatory events relating to certain minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments, subject, in each case to the extent required under the then prevailing Capital Regulations, to the prior consent of the Supervisory Authority and/or any other relevant national or European authority and compliance with certain regulatory conditions.

On 23 November 2016, the European Commission published, among other proposals, a proposal to amend the CRD IV Regulation. Such proposal includes certain requirements in respect of eligible liabilities, including a requirement for prior consent from the competent authority to an early redemption or purchase thereof. If the proposal is adopted, the granting of permission by the Supervisory Authority (or any other relevant authority) to a request by the relevant Issuer to redeem or repurchase the relevant Notes could be subject to the conditions set out in Articles 77 and 78 of the CRD IV Regulation (as so amended), to the extent applicable to the relevant Notes.

Furthermore, unless, in the case of any particular Tranche of Senior Notes, the relevant Final Terms specify that the Notes are redeemable at the option of the Noteholders, Noteholders will have no right to request the redemption of the Notes and should not invest in the Notes in the expectation that the relevant Issuer would exercise its option to redeem the Notes. Any decision by the relevant Issuer as to whether it will exercise its option to redeem the Notes will be taken at the absolute discretion of the relevant Issuer with regard to factors such as, but not limited to, the economic impact of exercising such option to redeem the Notes, any tax consequences, the regulatory capital requirements and the prevailing market conditions. Noteholders should be aware that they may be required to bear the financial risks of an investment in the Notes until maturity.

***No limitation on issuing senior or pari passu securities***

There is no restriction on the amount of securities which an Issuer may issue, nor on the amount of any other obligations it may assume, which rank senior to, or *pari passu* with any Notes of an Issuer. The issue of any such securities and/or the assumption of any such other obligations may reduce the amount recoverable by holders of Notes on a winding-up or administration of the relevant Issuer. In addition, the Notes do not contain any restriction on the relevant Issuer issuing securities that may have preferential rights to the Notes or securities with similar or different provisions to those described herein.

***Tier 2 Capital Notes are subordinated to most of the relevant Issuer's liabilities***

Tier 2 Capital Notes will constitute unsecured and subordinated obligations of the relevant Issuer. On a winding-up or administration of the relevant Issuer, all claims in respect of the Notes will rank junior to the claims of all Senior Creditors (as defined in the Conditions) of the relevant Issuer. If, on a winding-up or administration of the relevant Issuer, the assets of the relevant Issuer are insufficient to enable the relevant Issuer to repay the claims of more senior-ranking creditors in full, the holders of the Tier 2 Capital Notes will lose their entire investment in the Tier 2 Capital Notes. If there are sufficient assets to enable the relevant Issuer to pay the claims of senior-ranking creditors in full but insufficient assets to enable it to pay claims in respect of its obligations in respect of the Tier 2 Capital Notes and all other claims that rank *pari passu* with the Tier 2 Capital Notes, holders of the Tier 2 Capital Notes will lose some (which may be substantially all) of their investment in the Tier 2 Capital Notes.

Although Tier 2 Capital Notes may pay a higher rate of interest than Notes which are not subordinated, there is a substantial risk that investors in the Tier 2 Capital Notes will lose all or some of the value of their investment should the relevant Issuer become insolvent.

***Holders of Tier 2 Capital Notes will, and holders of Senior Notes may, have limited remedies***

Payment of principal and accrued but unpaid interest on the Tier 2 Capital Notes or (if so specified in the relevant Final Terms) on any Series of Senior Notes, may only be accelerated in the event of the occurrence of a Winding-up Event (as defined in the Conditions) in respect of the relevant Issuer. There is

no right of acceleration in the case of non-payment of principal or interest on the Tier 2 Capital Notes or (if so specified in the relevant Final Terms) on any Series of Senior Notes, or of the relevant Issuer's failure to perform any of its obligations under or in respect of the Tier 2 Capital Notes or (if so specified in the relevant Final Terms) any Series of Senior Notes.

The sole remedy against the relevant Issuer available for recovery of amounts owing in respect of any non-payment of any amount that has become due and payable under the Tier 2 Capital Notes, or (if specified in the relevant Final Terms) under any Series of Senior Notes is (subject to certain conditions and to the provisions set forth in Condition 14 (*Events of Default*)) for the Trustee to institute proceedings in England (or such other jurisdiction in which the relevant Issuer may be organised, but not elsewhere) for the winding-up of such Issuer and/or prove in the winding-up of such Issuer and/or claim in such Issuer's liquidation or administration.

Although the Trustee may institute such proceedings against the relevant Issuer as it may think fit to enforce a Performance Obligation (as defined in the Conditions), the Trustee (acting on behalf of the Noteholders but not the Trustee acting in its personal capacity under the Trust Deed) and the Noteholders shall not enforce, and shall not be entitled to enforce or otherwise claim, against the relevant Issuer any judgment or other award given in such proceedings that requires the payment of money by the relevant Issuer, whether by way of damages or otherwise (a "**Monetary Judgment**"), except by proving such Monetary Judgment in a winding-up of the relevant Issuer and/or claiming such Monetary Judgment in an administration of the relevant Issuer.

***HoldCo is a holding company***

The Notes issued by HoldCo are the obligation of HoldCo only. HoldCo is a holding company and conducts substantially all of its operations through its subsidiaries, and accordingly the claims of the Noteholders under the Notes issued by HoldCo will be structurally subordinated to the claims of creditors of HoldCo's subsidiaries. HoldCo's rights 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 limited circumstance where HoldCo is a creditor of such subsidiary with claims that are recognised to be ranked ahead of or *pari passu* with such claims. HoldCo's subsidiaries are separate and distinct legal entities, and have no obligation to pay any amounts due or to provide HoldCo with funds to meet any of HoldCo's payment obligations under the Notes.

As well as the risk of losses in the event of a subsidiary's insolvency, HoldCo may suffer losses if any of its loans to, and investments in, such a subsidiary (including the Bank) are subject to statutory write down and conversion powers or if the subsidiary is otherwise subject to bank resolution proceedings. HoldCo has in the past made, and may continue to make, loans to, and investments in, the Bank, and it may in the future make loans to any other Virgin Money Group subsidiary, with the proceeds received from HoldCo's issuance of debt instruments (including Notes issued under this Programme). Such loans to, and investments in, such subsidiary by HoldCo using the proceeds received from HoldCo's issue of Tier 2 Capital Notes are expected to be in the form of Tier 2 capital. With respect to HoldCo's Senior Notes that are intended to constitute MREL eligible liabilities, the loans to, and or investments in such subsidiary by HoldCo using the proceeds received by the issuance of such Senior Notes by HoldCo may be in the form of senior notes/loans or subordinated capital.

HoldCo retains its absolute discretion to restructure such loans to, and any other investments in, any of its Virgin Money Group subsidiaries, including the Bank, 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 wider changes made to the Virgin Money Group's corporate structure or otherwise as part of meeting regulatory requirements, such as the implementation of MREL in respect of the relevant subsidiaries. A restructuring of a loan or investment made by HoldCo in a Virgin Money Group subsidiary could include changes to any or all features of such loan or investment, including its legal or regulatory form, how it would rank in the event of resolution and/or insolvency proceedings in relation to the Virgin Money Group 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 HoldCo's loans to, and investments in, any of the Virgin Money Group subsidiaries may be implemented by HoldCo without prior notification to, or consent of, the Noteholders.

The regulatory capital treatment, and otherwise the ranking in the ordinary insolvency hierarchy, of HoldCo's claims against a Virgin Money Group subsidiary will affect the extent to which HoldCo is

exposed to losses if such subsidiary enters into resolution proceedings or is subject to mandatory write-down or conversion of its capital instruments. In particular, the Banking Act specifies that the resolution powers should be applied in a manner such that losses are transferred to shareholders and creditors in an order which reflects the hierarchy of issued instruments under CRD IV and which otherwise respects the hierarchy of claims in an ordinary insolvency, as described above. See *"The relevant UK resolution authority may exercise the bail-in tool in respect of the relevant Issuer and the Notes, which may result in holders of the Notes losing some or all of their investment"* above for a discussion of the new Creditor Hierarchy Directive. In general terms, the more junior in the capital structure the investments in, and loans made to, any Virgin Money Group subsidiary are, relative to third party investors, the greater the losses likely to be suffered by HoldCo in the event any Virgin Money Group subsidiary enters into resolution proceedings or is subject to mandatory write-down or conversion of its capital instruments. See *"Regulatory action in the event a bank or investment firm in the Virgin Money Group is failing or is likely to fail could materially adversely affect the value of the Notes"* above.

If one of HoldCo's subsidiaries were to be wound up, liquidated or dissolved, (i) the holders of Notes issued by HoldCo would have no right to proceed against the assets of such subsidiary, and (ii) the liquidator of such subsidiary would first apply the assets of such subsidiary to settle the claims of the creditors (and holders of preference shares or other tier 1 capital instruments ranking ahead of any such entity's ordinary shares) of such subsidiary (such creditors and holders of preference shares may include HoldCo) ranking ahead of the holders of ordinary shares of such subsidiary. Similarly, if the Bank or any other of HoldCo's subsidiaries were subject to resolution proceedings (i) the holders of the Notes issued by HoldCo would have no direct recourse against the Bank or such other subsidiary, and (ii) holders of the Notes themselves may also be exposed to losses pursuant to the exercise by the relevant resolution authority of the stabilisation powers. See *"Regulatory action in the event a bank or investment firm in the Virgin Money Group is failing or is likely to fail could materially adversely affect the value of the Notes"* above.

#### ***Fixed/Floating Rate Notes***

Fixed/Floating Rate Notes may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The relevant Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than the prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

#### ***The interest rate on Reset Notes will reset on each Reset Date, which can be expected to affect the interest payment on an investment in Reset Notes and could affect the market value of Reset Notes***

Reset Notes will initially bear interest at the Initial Rate of Interest until (but excluding) the First Reset Date. On the First Reset Date and each Subsequent Reset Date (if any) thereafter, the interest rate will be reset to the sum of the applicable Mid-Swap Rate or Reference Bond Rate and the First Margin or Subsequent Margin (as applicable) as determined by the Calculation Agent on the relevant Reset Determination Date (each such interest rate, a "**Subsequent Reset Rate of Interest**"). The Subsequent Reset Rate of Interest for any Reset Period could be less than the Initial Rate of Interest or the Subsequent Reset Rate of Interest for prior Reset Periods and could affect the market value of an investment in the Reset Notes.

#### ***Notes where denominations involve integral multiples***

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of that minimum Specified Denomination that are not integral multiples of that minimum Specified Denomination. In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If Definitive Notes are issued, holders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

***Modification, waivers and substitution***

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

The Conditions also provide that the Trustee may, subject to and in accordance with the Trust Deed without the consent of the Noteholders, agree to (i) any modification of, or waiver or authorisation of any breach or proposed breach of, any of the Conditions (other than in respect of a Reserved Matter (as defined in the Trust Deed)) which, in each case, in the opinion of the Trustee is not materially prejudicial to the interest of the Noteholders and, in the case of a modification, in the opinion of the Trustee is of a formal, minor or technical nature or to correct a manifest error; or (ii) determine without the consent of the Noteholders that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such if, in the opinion of the Trustee, the interests of the relevant Noteholders would not be materially prejudiced thereby; or (iii) the substitution of any wholly-owned Subsidiary of the relevant Issuer as principal debtor under any Notes in place of the relevant Issuer, in the circumstances described in Condition 18(c) (*Meetings of Noteholders; Modification and Waiver; Substitution*); provided that, in each case, the provisions relating to the Tier 2 Capital Notes shall only be capable of modification or waiver and the relevant Issuer of Tier 2 Capital Notes may only be substituted in accordance with Condition 18(c) (*Substitution*), if the relevant Issuer has notified the Supervisory Authority of such modification, waiver or substitution and/or obtained Regulatory Approval (if such notice and/or consent is then required by the Capital Regulations).

***Investors to rely on the procedures of Euroclear, Clearstream, Luxembourg and/or DTC for transfer, payment and communication with the Issuers***

Notes issued under the Programme may be represented by one or more Global Notes or Global Note Certificates (as defined below) which may be deposited with a common depository for Euroclear and Clearstream Luxembourg or with DTC (each of Euroclear, Clearstream, Luxembourg and DTC, a "**Clearing System**"). If the Global Notes are NGN or if the Unrestricted Global Note Certificates are to be held under the NSS, they will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg and, in the case of Restricted Global Note Certificates will be deposited with a custodian for and registered in the name of a nominee of DTC. Except in the circumstances described in the relevant Global Note or Global Note Certificate, investors will not be entitled to receive definitive Notes. The relevant Clearing System will maintain records of the beneficial interests in the Global Notes or, as the case may be, Global Note Certificates. While the Notes are represented by one or more Global Notes, or as the case may be, Global Note Certificates, investors will be able to trade their beneficial interests only through the relevant Clearing System or, in the case of Restricted Global Note Certificates, DTC.

While the Notes are represented by one or more Global Notes or, as the case may be, Global Note Certificates, the relevant Issuer will discharge its payment obligations under the Notes by making payments to the common depository or, for Global Notes that are NGN and Global Note Certificates to be held under the NSS, the common safekeeper for Euroclear and Clearstream, Luxembourg or, as appropriate, the custodian for DTC, for distribution to their account holders. A holder of a beneficial interest in a Global Note or Unrestricted Global Note Certificate must rely on the procedures of the relevant Clearing System or, in the case of Restricted Global Note Certificates, DTC, to receive payments under the relevant Notes. The Issuers have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Note Certificates.

Holders of beneficial interests in the Global Notes or Global Note Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System or by DTC to appoint appropriate proxies.

The fact that the Notes will not be in physical form may make it difficult for Noteholders to pledge the Notes as security if Notes in physical form are required or necessary for such purposes.

***Changes in law may adversely affect the rights of holders of the Notes***

The Conditions are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice or tax treatment in the United Kingdom after the date of issue of the relevant Notes, nor can any assurance be given as to whether any such change could materially adversely impact the value of any Notes affected by it.

In addition, any change or proposed change in law or regulation that triggers certain regulatory events or tax events would entitle the relevant Issuer, at its option (subject, in each case to the extent required under the then prevailing Capital Regulations, to the prior consent of the Supervisory Authority and/or any relevant national or European authority and compliance with certain regulatory conditions), to redeem the Notes, in whole but not in part, as provided under Conditions 10(c) (*Redemption and Purchase – Redemption for tax reasons*), 10(d) (*Redemption and Purchase - Regulatory Event Redemption of Tier 2 Capital Notes*) and 10(e) (*Redemption and Purchase – Loss Absorption Disqualification Event Redemption of Senior Notes*).

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

Furthermore, the financial services industry continues to be the focus of significant regulatory change and scrutiny which may adversely affect the Virgin Money Group's business, financial performance, capital and risk management strategies. Such regulatory changes, and the resulting actions taken to address such regulatory changes, may have an adverse impact on the Virgin Money Group's, and therefore the relevant Issuer's, performance and financial condition. It is not yet possible to predict the detail of such legislation or regulatory rulemaking or the ultimate consequences to the Virgin Money Group or the Noteholders, which could be material to the rights of holders of the Notes and/or the ability of the relevant Issuer to satisfy its obligations under such Notes. For example, on 23 November 2016, the European Commission presented a comprehensive package of reforms to further strengthen the resilience of EU banks. These proposals amend many of the existing provisions set forth in CRD IV and the BRRD. The majority of these proposals are currently under consideration by the European Parliament and Council, although the Creditor Hierarchy Directive entered into force in December 2017 – see "*The relevant UK resolution authority may exercise the bail-in tool in respect of the relevant Issuer and the Notes, which may result in holders of the Notes losing some or all of their investment*" above. Until such time as the pending proposals are formally approved by the European Parliament and Council, there can be no assurance as to whether, or when, the proposed amendments will be adopted and whether they will be adopted in the manner as currently proposed and therefore it is uncertain how they will affect the Issuers, the Virgin Money Group or the holders of the Notes.

***Payments on certain Notes may be subject to U.S. withholding tax under FATCA***

The United States has enacted rules, commonly referred to as "FATCA", that generally impose a new reporting and withholding regime with respect to certain payments made to or by, and accounts maintained with, non-U.S. entities that are classified as financial institutions under FATCA (such as the Issuers). Withholding under FATCA will not be applied to non-U.S. source payments by non-U.S. financial institutions prior to 1 January 2019. The United States has entered into an intergovernmental agreement regarding the implementation of FATCA with the United Kingdom (the "IGA"). Under the IGA, as currently drafted, the Issuer does not expect payments made on or with respect to the Notes to be subject to withholding under FATCA. However, significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to the Notes in the future. Prospective investors should consult their own tax advisors regarding the potential impact of FATCA.

### ***Absence of secondary market***

No assurance is provided that there is an active and liquid secondary market for the Notes (for example, Notes may be allocated to a limited pool of investors), and no assurance is provided that a secondary market for the Notes will develop or, if it does develop, that it will provide Noteholders with liquidity of investment for the life of the Notes. Any investor in the Notes must be prepared to hold their Notes for an indefinite period of time or until their Maturity Date or alternatively such investor may only be able to sell the Notes at a discount to the original purchase price of those Notes. Although application has been made for Notes issued under the Programme to be admitted to trading on the PSM, if so specified in the relevant Final Terms, the relevant Issuer cannot guarantee that the Notes will be accepted for listing or admitted to trading or that an active trading market will develop. 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 trading market.

### ***Exchange rate risks and exchange controls***

The relevant Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

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

### ***The value of Fixed Rate Notes may be adversely affected by movements in market interest rates***

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

### ***The credit ratings may not be reliable, and changes to the credit ratings could affect the value of the Notes***

A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. One or more independent credit rating agencies may assign credit ratings to the relevant Issuer or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. Any downgrade in the rating of a relevant Issuer by a rating agency may have a negative impact on the ratings of the Notes.

### ***Political uncertainty***

On 23 June 2016, the UK held a referendum on whether the UK should remain a member of the European Union. The UK voted to leave the European Union and the UK Government invoked article 50 of the Lisbon Treaty relating to withdrawal on 29 March 2017. Under article 50, the Treaty on the European Union and the Treaty on the Functioning of the European Union cease to apply in the relevant state from the date of entry into force of a withdrawal agreement or, failing that, two years after the notification of intention to withdraw, although this period may be extended in certain circumstances.

There are a number of uncertainties in connection with the future of the UK and its relationship with the European Union. The negotiation of the UK's exit terms is likely to take several years. Until the terms and timing of the UK's exit from the European Union are confirmed and until the nature of the new relationship between the UK and the European Union is known, it is not possible to determine the impact that the referendum, the UK's departure from the European Union and/or any related matters may have on general economic conditions in the UK (including on the performance of the UK housing market) and/or on the business of Virgin Money.

Although the Virgin Money Group operates entirely within the UK and has no material un-hedged exposure to the foreign exchange markets or to the Eurozone, future UK political developments, including but not limited to the UK departure from the EU and/or any changes in government structure and policies, could also affect the fiscal, monetary and regulatory landscape to which Virgin Money is subject and also therefore its financing availability and terms. Consequently no assurance can be given that Virgin Money's operating results, financial condition and prospects would not be adversely impacted as a result.

Investors should also note that future UK political developments, including but not limited to the UK departure from the EU and/or any changes in government structure and policies, could affect the fiscal, monetary and regulatory landscape to which Virgin Money is subject and also therefore its financing availability and terms. Consequently no assurance can be given that Virgin Money's operating results, financial condition and prospects would not be adversely impacted as a result.

In general, no assurance can be given that any of the matters outlined above would not adversely affect the ability of an Issuer to satisfy its obligations under the Notes and/or the market value or liquidity of the Notes.

***Regulation and reform of LIBOR, EURIBOR or other "benchmarks" could adversely affect any Notes linked to such "benchmarks"***

LIBOR, EURIBOR and other rates and indices which are deemed to be "benchmarks" are the subject of recent national, international and other 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 any Notes linked to such a "benchmark".

Regulation (EU) 2016/1011 (the "**Benchmark Regulation**") was published in the Official Journal of the European Union on 29 June 2016 and has applied from 1 January 2018 (with the exception of provisions specified in Article 59 (mainly on critical benchmarks) that have applied since 30 June 2016). The Benchmark Regulation could have a material impact on any Notes linked to LIBOR, EURIBOR or another "benchmark" rate or index, in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the terms of the Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. In addition, the Benchmark Regulation stipulates that each administrator of a "benchmark" regulated thereunder must be licensed by the competent authority of the Member State where such administrator is located. There is a risk that administrators of certain "benchmarks" will fail to obtain a necessary licence, preventing them from continuing to provide such "benchmarks". Other administrators may cease to administer certain "benchmarks" because of the additional costs of compliance with the Benchmark Regulation and other applicable regulations, and the risks associated therewith. There is also a risk that certain benchmarks may continue to be administered but may in time become obsolete.

As an example of such benchmark reforms, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR on the current basis (or at all) cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest provisions of the Conditions (as further described in Condition 7A (*Benchmark Replacement*)), or result in other consequences, in respect of any Notes linked to such benchmark (including but not limited to Notes whose interest rates are linked to LIBOR or any other such benchmark which is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities based on the same benchmark.

The "*Terms and Conditions of the Notes*" set out below provide for certain fallback arrangements in the event that a published benchmark, such as LIBOR, (including any page on which such benchmark may be published (or any successor service)) becomes unavailable, including the possibility that the rate of

interest could be determined by an Independent Adviser (as defined below) or the relevant Issuer or set by reference to a reference bond rate, a successor rate or an alternative reference rate and that such successor rate or alternative reference rate may be adjusted (if required) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark. In certain circumstances the ultimate fallback of interest for a particular Interest Period or Reset Period (as applicable) may result in the rate of interest for the last preceding Interest Period or Reset Period (as applicable) being used. This may result in the effective application of a fixed rate for Floating Rate Notes or Reset Notes (as applicable) based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Adviser or the relevant Issuer, the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of and return on any such 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 relevant Issuer to meet its obligations under the Floating Rate Notes or Reset Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes or Reset Notes. Investors should consider these matters when making their investment decision with respect to the relevant Floating Rate Notes or Reset Notes.

## INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (a) the audited consolidated financial statements (including the auditors' report thereon and notes thereto) of HoldCo in respect of the years ended 31 December 2017 and 31 December 2016 (set out on pages 190 to 260 and 195 to 256, respectively, of the 2017 Annual Report and Accounts of the Virgin Money Group (the "**2017 Annual Report and Accounts**") and the 2016 Annual Report and Accounts of the Virgin Money Group (the "**2016 Annual Report and Accounts**" and together with the 2017 Annual Report and Accounts, the "**HoldCo Financial Statements**");
- (b) the following sections of the 2017 Annual Report and Accounts:
- |  |                  |
|--|------------------|
| 2017 Highlights                        | Pages 3 to 7     |
| Financial Results .....                | Page 42 to 60    |
| Risk Management Report .....           | Pages 126 to 188 |
| Alternative Performance Measures ..... | Page 262         |
| Glossary.....                          | Pages 263 to 265 |
- (c) the audited and unconsolidated financial statements (including the auditors' report thereon and notes thereto) of the Bank in respect of the years ended 31 December 2017 and 31 December 2016 (together, the "**Bank Financial Statements**"); and
- (d) the terms and conditions set out on pages 47-78 of the offering circular relating to the Programme dated 27 March 2015.

Copies of the documents specified above as containing information incorporated by reference in this Offering Circular may be inspected, free of charge during normal business hours on weekdays at the registered office of the Issuers at Jubilee House, Gosforth, Newcastle upon Tyne NE3 4PL, United Kingdom and at the specified office of the Principal Paying Agent at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom. Any information contained in any of the documents specified above which is not incorporated by reference in this Offering Circular is either not relevant to investors or is covered elsewhere in this Offering Circular.

## **FINAL TERMS AND DRAWDOWN OFFERING CIRCULARS**

In this section the expression "necessary information" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of each Issuer and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme, the Issuers have included in this Offering Circular all of the necessary information except for information relating to the Notes which is not known at the date of this Offering Circular and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Offering Circular and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Offering Circular.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Offering Circular and must be read in conjunction with this Offering Circular. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions described in this Offering Circular as completed to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Offering Circular will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Offering Circular.

In the case of a Tranche of Notes which is the subject of a Drawdown Offering Circular, each reference in this Offering Circular to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Offering Circular, unless the context requires otherwise.

## FORMS OF THE NOTES

### Bearer Notes

Each Tranche of Notes in bearer form ("**Bearer Notes**") will initially be in the form of either a temporary global note in bearer form (the "**Temporary Global Note**"), without interest coupons, or a permanent global note in bearer form (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in new global note form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depository or a common depository for Euroclear Bank SA/NV as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and/or any other relevant clearing system. Each Global Note which is intended to be issued in new global note form ("**NGN**"), as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006 the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

In the case of each Tranche of Bearer Notes, the relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

### *Temporary Global Note exchangeable for Permanent Global Note*

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the relevant Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note, duly authenticated and, in the case of a NGN, effectuated, to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (a) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Principal Paying Agent; and
- (b) receipt by the Principal Paying Agent of a certificate or certificates of non-U.S. beneficial ownership,
- (c) within 7 days of the bearer requesting such exchange. The Permanent Global Note will then be exchangeable for definitive Notes ("**Definitive Notes**") in the manner set out in "Permanent Global Note exchangeable for Definitive Notes" below.

***Temporary Global Note exchangeable for Definitive Notes***

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, the Temporary Global Note shall only be exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note.

***Permanent Global Note exchangeable for Definitive Notes***

If the relevant Final Terms specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (a) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (b) at any time, if so specified in the relevant Final Terms; or
- (c) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:
  - (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or
  - (ii) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, the Permanent Global Note shall only be exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note.

***Terms and Conditions applicable to the Notes***

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below, and the provisions

of the relevant Final Terms which complete those terms and conditions or the provisions of the relevant Drawdown Offering Circular which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

#### **Legend concerning United States persons**

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

*"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."*

#### **Registered Notes**

Each Tranche of Notes in registered form ("**Registered Notes**") will be represented by either:

- (a) individual note certificates in registered form ("**Individual Note Certificates**"); or
- (b) one or more unrestricted global note certificates ("**Unrestricted Global Note Certificate(s)**") in the case of Registered Notes sold outside the United States to non-U.S. persons in reliance on Regulation S ("**Unrestricted Registered Notes**") and/or one or more restricted global note certificates ("**Restricted Global Note Certificate(s)**") in the case of Registered Notes sold to QIBs in reliance on Rule 144A ("**Restricted Registered Notes**"),

in each case as specified in the relevant Final Terms, and references in this Offering Circular to "**Global Note Certificates**" shall be construed as a reference to Unrestricted Global Note Certificates and/or Restricted Global Note Certificates.

In a press release dated 22 October 2008, "*Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations*", the ECB announced that it has assessed the new holding structure and custody arrangements for registered notes which the ICSDs had designed in cooperation with market participants and that Notes to be held under the new structure (the "**New Safekeeping Structure**" or "**NSS**") would be in compliance with the "*Standards for the use of EU securities settlement systems in ESCB credit operations*" of the Eurosystem, subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for Notes to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2010 and that registered debt securities in global registered form issued through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the New Safekeeping Structure is used. In a press release dated 14 December 2017, "*Changes to collateral eligibility criteria for unsecured bank bonds*" the ECB announced that unsecured bank bonds ("**UBBs**") that are subject to statutory, contractual or structural subordination (for example, UBBs issued by bank holding companies) will become ineligible for collateral in the first quarter of 2018 and that UBBs that are currently eligible as collateral but do not fulfil the new eligibility criteria will remain eligible until 31 December 2018.

Each Note represented by an Unrestricted Global Note Certificate will either be: (a) in the case of an Unrestricted Global Note Certificate which is not to be held under the New Safekeeping Structure, registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Note Certificate will be deposited on or about the issue date with the common depository; or (b) in the case of an Unrestricted Global Note Certificate to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Note Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Each Note represented by a Restricted Global Note Certificate will be registered in the name of Cede & Co. as nominee for The Depository Trust Company ("**DTC**") and the relevant Restricted Global Note

Certificate will be deposited on or about the issue date with the custodian for DTC (the "**DTC Custodian**"). Beneficial interests in Notes represented by a Restricted Global Note Certificate may only be held through DTC at any time.

If the relevant Final Terms specifies the form of Notes as being "Individual Note Certificates", then the Notes will at all times be represented by Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

***Global Note Certificate exchangeable for Individual Note Certificates***

If the relevant Final Terms specifies the form of Notes as being "Global Note Certificate exchangeable for Individual Note Certificates", then the Notes will initially be represented by one or more Global Note Certificates each of which will be exchangeable in whole, but not in part, for Individual Note Certificates:

- (a) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (b) at any time, if so specified in the relevant Final Terms; or
- (c) if the relevant Final Terms specifies "in the limited circumstances described in the Global Note Certificate", then:
  - (i) in the case of any Restricted Global Note Certificate held by or on behalf of DTC, if DTC notifies the relevant Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Global Note Certificate or DTC ceases to be a "clearing agency" registered under the Exchange Act or if at any time DTC is no longer eligible to act as such, and the relevant Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC;
  - (ii) in the case of any Unrestricted Global Note Certificate, if Euroclear, Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; and
  - (iii) in any case, if any of the circumstances described in Condition 14 (*Events of Default*) occurs.

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, each person having an interest in a Global Note Certificate must provide the Registrar (through the relevant clearing system) with such information as the relevant Issuer and the Registrar may require to complete and deliver Individual Note Certificates (including the name and address of each person in which the Notes represented by the Individual Note Certificates are to be registered and the principal amount of each such person's holding). In addition, whenever a Restricted Global Note Certificate is to be exchanged for Individual Note Certificates, each person having an interest in the Restricted Global Note Certificate must provide the Registrar (through the relevant clearing system) with a certificate given by or on behalf of the holder of each beneficial interest in the Restricted Global Note Certificate stating either (i) that such holder is not transferring its interest at the time of such exchange or (ii) that the transfer or exchange of such interest has been made in compliance with the transfer restrictions applicable to the Notes and that the person transferring such interest reasonably believes that the person acquiring such interest is a QIB and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A. Individual Note Certificates issued in exchange for interests in the Restricted Global Note Certificate will bear the legends and be subject to the transfer restrictions set out under "*Transfer Restrictions*".

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, the relevant Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Note Certificate to the Registrar of such information as is required to complete and deliver such Individual Note Certificates against the surrender of the Global Note Certificate at the specified office of the Registrar.

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, the Global Note Certificate shall

only be exchangeable for Individual Note Certificates in the limited circumstances specified in the Global Note Certificate.

Such exchange will be effected in accordance with the provisions of the Trust Deed and the Agency Agreement (as defined below) and the regulations concerning the transfer and registration of Notes scheduled to the Agency Agreement and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

#### ***Terms and Conditions applicable to the Notes***

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below, and the provisions of the relevant Final Terms which complete those terms and conditions or the provisions of the relevant Drawdown Offering Circular which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Global Note Certificate will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

#### **Summary of Provisions relating to the Notes while in Global Form**

##### ***Clearing System Accountholders***

In relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

In relation to any Tranche of Notes represented by one or more Global Note Certificates, references in the Terms and Conditions of the Notes to "Noteholder" are references to the person in whose name the relevant Global Note Certificate is for the time being registered in the Register which (a) in the case of a Restricted Global Note Certificate held by or on behalf of DTC, will be Cede & Co. as nominee for DTC; and (b) in the case of any Unrestricted Global Note Certificate which is held by or on behalf of a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or common safekeeper or a nominee for that depositary or common depositary or common safekeeper.

Each of the persons shown in the records of DTC, Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Note Certificate (each an "**Accountholder**") must look solely to DTC, Euroclear, Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the relevant Issuer to the holder of such Global Note or Global Note Certificate and in relation to all other rights arising under such Global Note or Global Note Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note or Global Note Certificate will be determined by the respective rules and procedures of DTC, Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Note Certificate, Accountholders shall have no claim directly against the relevant Issuer in respect of payments due under the Notes and such obligations of the relevant Issuer will be discharged by payment to the holder of such Global Note or Global Note Certificate.

##### ***Transfers of Interests in Global Notes and Global Note Certificates***

Transfers of interests in Global Notes and Global Note Certificates within DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system will be in accordance with their respective rules and operating procedures. None of the Issuers, the Trustee, the Registrar, the Dealers or the Agents (as defined below) will have any responsibility or liability for any aspect of the records of DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or any of their respective participants relating to payments made on account of beneficial ownership interests in a Global

Note or Global Note Certificate or for maintaining, supervising or reviewing any of the records of DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or the records of their respective participants relating to such beneficial ownership interests.

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of Notes. Consequently, the ability to transfer interests in a Global Note Certificate to such persons will be limited. Because clearing systems only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Note Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing systems, or otherwise take actions in respect of such interest, may be affected by the lack of an Individual Note Certificate representing such interest.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Transfer Restrictions*", transfers between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg accountholders, on the other, will be effected by the relevant clearing systems in accordance with their respective rules and through action taken by the DTC Custodian, the Registrar and the Principal Paying Agent.

On or after the issue date for any Series, transfers of Notes of such Series between accountholders in Euroclear and/or Clearstream, Luxembourg and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Transfers between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg accountholders, on the other, will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, Luxembourg, on the other, transfers of interests in the relevant Global Note Certificates will be effected through the Principal Paying Agent, the DTC Custodian, the relevant Registrar and any applicable Transfer Agent (as defined below) receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Note Certificate resulting in such transfer and (ii) two business days after receipt by the Principal Paying Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately. The customary arrangements for delivery versus payment between Euroclear and Clearstream, Luxembourg accountholders or between DTC participants are not affected.

For a further description of restrictions on the transfer of Notes, see "*Subscription and Sale*" and "*Transfer Restrictions*".

Upon the issue of a Restricted Global Note Certificate to be held by or on behalf of DTC, DTC or the DTC Custodian will credit the respective nominal amounts of the individual beneficial interests represented by such Restricted Global Note Certificate to the account of DTC participants. Ownership of beneficial interests in such Restricted Global Note Certificate will be held through participants of DTC, including the respective depositories of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in such Global Note Certificate will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee. DTC has advised the Issuers that it will take any action permitted to be taken by a holder of Registered Notes represented by a Restricted Global Note Certificate held by or on behalf of DTC (including, without limitation, the presentation of such Restricted Global Note Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in such Restricted Global Note Certificate are credited, and only in respect of such portion of the aggregate nominal amount of such Restricted Global Note Certificate as to which such participant or participants has or have given such direction. However, in certain circumstances, DTC will exchange the relevant Restricted Global Note Certificate for Individual Note Certificates (which will bear the relevant legends set out in "*Transfer Restrictions*").

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Note Certificates among participants and

accountholders of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuers, the Trustee, the Registrar, the Dealers or the Agents will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their respective operations.

While a Global Note Certificate is lodged with DTC, Euroclear, Clearstream, Luxembourg or any relevant clearing system, Individual Note Certificates for the relevant Series of Notes will not be eligible for clearing and settlement through such clearing systems.

***Conditions applicable to Global Notes and Global Note Certificates***

Each Global Note and Global Note Certificate will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note or Global Note Certificate. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Global Note or Global Note Certificate which, according to the Terms and Conditions of the Notes, require presentation and/or surrender of a Note, Note Certificate (as defined below) or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Note Certificate to or to the order of any Paying Agent (as defined below) and will be effective to satisfy and discharge the corresponding liabilities of the relevant Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the relevant Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered pro rata in the records of Euroclear and Clearstream, Luxembourg.

*Payment Business Day:* in the case of a Global Note or a Global Note Certificate, shall be: if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

*Payment Record Date:* Each payment in respect of a Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

*Exercise of Put Option:* In order to exercise the option contained in Condition 10(f) (*Redemption and Purchase – Redemption at the option of Noteholders*), the bearer of a Permanent Global Note or the holder of a Global Note Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

*Partial exercise of Call Option:* In connection with an exercise of the option contained in Condition 10(b) (*Redemption and Purchase – Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note or Global Note Certificate may be redeemed in part in the principal amount specified by the relevant Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of DTC, Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of DTC, Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

*Notices:* Notwithstanding Condition 20 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Note Certificate and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Note Certificate is, registered in the name of DTC's nominee or deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant

clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 20 (*Notices*) on the date of delivery to DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, as completed by the relevant Final Terms or as supplemented, amended and/or replaced by the relevant Drawdown Offering Circular, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Forms of the Notes - Summary of Provisions Relating to the Notes while in Global Form" above.*

### 1. Introduction

- (a) *Programme:* Virgin Money Holdings (UK) plc ("**HoldCo**") and Virgin Money plc (the "**Bank**") and, together with HoldCo, the "**Issuers**", and each an "**Issuer**") have established a Global Medium Term Note Programme (the "**Programme**") for the issuance of up to £3,000,000,000 in aggregate principal amount of notes (the "**Notes**"). In these conditions, references to the "**Issuer**" are to HoldCo or the Bank, as the case may be, as the Issuer of the Notes under the Programme and references to the "**relevant Issuer**" shall be construed accordingly.
- (b) *Final Terms or Drawdown Offering Circular:* Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of either (i) a final terms (the "**Final Terms**") which completes these terms and conditions (the "**Conditions**") or (ii) a separate drawdown offering circular (the "**Drawdown Offering Circular**") which supplements, amends and/or replaces the Conditions. The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms or as supplemented, amended and/or replaced by the relevant Drawdown Offering Circular. In the event of any inconsistency between these Conditions and the relevant Final Terms or Drawdown Offering Circular, the relevant Final Terms or Drawdown Offering Circular (as applicable) shall prevail. In the case of a Tranche of Notes which is the subject of a Drawdown Offering Circular, each reference in these Conditions to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Offering Circular.
- (c) *Trust Deed:* The Notes are constituted by, are subject to, and have the benefit of, a trust deed dated 28 March 2018 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuers and Citicorp Trustee Company Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).
- (d) *Agency Agreement:* The Notes are the subject of an issue and paying agency agreement dated 27 March 2015 (the "**Agency Agreement**") between the Issuers, Citibank, N.A., London Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), Citibank, N.A., London Branch as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes), the transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes), the other agents named therein and the Trustee. In these Conditions references to the "**Agents**" are to the Paying Agents and the Transfer Agents and any reference to an "**Agent**" is to any one of them.
- (e) *The Notes:* The Notes may be issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**"). All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms or Drawdown Offering Circular (as the case may be). Copies of the relevant Final Terms or Drawdown Offering Circular are available for viewing at the registered office of the Issuers at Jubilee House, Gosforth, Newcastle upon Tyne NE3 4PL, United Kingdom.

- (f) *Summaries:* Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. Noteholders (as defined below) and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Agents, the initial Specified Offices of which are set out below.

## 2. **Definitions and Interpretation**

- (a) *Definitions:* In these **Conditions** the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Final Terms;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Bank Group**" means the Bank and its subsidiaries;

"**Broken Amount**" means, in respect of any Notes, the amount (if any) that is specified in the relevant Final Terms;

"**Business Day**" means:

- (a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**
  - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

- (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (e) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

**"Calculation Agent"** means the Principal Paying Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

**"Calculation Amount"** has the meaning given in the relevant Final Terms;

**"Capital Regulations"** means, at any time, the laws, regulations, requirements, standards, guidelines and policies relating to capital adequacy and/or minimum requirement for own funds and eligible liabilities and/or loss absorbing capacity for credit institutions of either (i) the Supervisory Authority and/or (ii) any other national or European authority, in each case then in effect in the United Kingdom (or in such other jurisdiction in which the relevant Issuer may be organised or domiciled) and applicable to the relevant Issuer and/or (where the Issuer is HoldCo) the HoldCo Group and/or (where the Issuer is the Bank) the Bank Group, including, as at the date of this Offering Circular, CRD IV and related technical standards;

**"Coupon Sheet"** means, in respect of a Note, a coupon sheet relating to the Note;

**"CRD IV"** means the legislative package consisting of Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms of the European Parliament and of the Council of 26 June 2013, as the same may be amended or replaced from time to time, and the CRD IV Regulation;

**"CRD IV Regulation"** means Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms of the European Parliament and of the Council of 26 June 2013, as the same may be amended or replaced from time to time;

**"Day Count Fraction"** means, in respect of the calculation of an amount for any period of time (the **"Calculation Period"**), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (a) if **"Actual/Actual (ICMA)"** is so specified, means:
  - (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
    - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
    - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

- (b) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (c) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if "**30/360**" is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30";

- (f) if "**30E/360**" or "**Eurobond Basis**" is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

- (g) if "**30E/360 (ISDA)**" is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30,

**provided, however, that** in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Determination Agent**" means an investment bank or financial institution of international standing selected by the relevant Issuer;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"**Early Termination Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in these Conditions or the relevant Final Terms;

"**EURIBOR**" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

"**Extraordinary Resolution**" has the meaning given in the Trust Deed;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

**"First Interest Payment Date"** means the date specified in the relevant Final Terms;

**"First Margin"** means the margin applicable to the Mid-Swap Rate or the Reference Bond (as applicable) specified as such in the relevant Final Terms;

**"First Reset Date"** means the date specified in the relevant Final Terms;

**"First Reset Period"** means the period from (and including) the First Reset Date until (but excluding) the first Subsequent Reset Date or, if a Subsequent Reset Date is not specified in the relevant Final Terms, the Maturity Date;

**"First Reset Rate of Interest"** means, in respect of the First Reset Period and subject to Condition 6(d) (*Reset Note Provisions - Fallbacks*) the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Reference Rate and the First Margin;

**"Fixed Coupon Amount"** has the meaning given in the relevant Final Terms;

**"Fixed Rate Note"** means a Note on which interest is calculated at a fixed rate payable in arrear on a fixed date or dates in each year and on redemption or on such other dates as may be agreed between the relevant Issuer and the relevant dealer(s) (as indicated in the relevant Final Terms);

**"Floating Rate Note"** means a Note on which interest is calculated at a floating rate payable at intervals of one, two, three, six or 12 months or at such other intervals as may be agreed between the relevant Issuer and the relevant dealer(s) (as indicated in the relevant Final Terms);

**"Foreign Exchange Agent"** has the meaning given in the Agency Agreement;

**"Group"** means (i) in respect of HoldCo, the HoldCo Group and (ii) in respect of the Bank, the Bank Group;

**"HoldCo Group"** means the HoldCo and each entity which is part of the UK prudential consolidation group (as that term, or its successor, is used in the Capital Regulations) of which the HoldCo is part from time to time;

**"Holder"**, in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer - Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer - Title to Registered Notes*);

**"Initial Rate of Interest"** has the meaning specified in the relevant Final Terms;

**"Interest Amount"** means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

**"Interest Commencement Date"** means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

**"Interest Determination Date"** shall mean the date specified as such in the relevant Final Terms or, if none is so specified:

- (a) if the Reference Rate is EURIBOR, the second TARGET Settlement Day prior to the start of each Interest Period; and
- (b) if the Reference Rate is LIBOR, the second London Business Day prior to the start of each Interest Period;

**"Interest Payment Date"** means the First Interest Payment Date and any other date or dates specified as such in the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention; or

- (b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the First Interest Payment Date) or the previous Interest Payment Date (in any other case);

**"Interest Period"** means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

**"ISDA Definitions"** means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

**"Issue Date"** has the meaning given in the relevant Final Terms;

**"LIBOR"** means, in respect of any specified currency and any specified period, the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic LIBOR rates can be obtained from the designated distributor);

**"Loss Absorption Disqualification Event"** means the whole or any part of the outstanding aggregate principal amount of the relevant Series of Senior Notes at any time being excluded from or ceasing to count towards the relevant Issuer's and/or the relevant Group's own funds and eligible liabilities and/or loss absorbing capacity, in each case for the purposes of, and in accordance with, the relevant Capital Regulations; provided that a Loss Absorption Disqualification Event shall not occur if such whole or part of the outstanding principal amount of the relevant Series of Senior Notes is excluded from, or ceases to count towards, such own funds and eligible liabilities and/or loss absorbing capacity due to the remaining maturity of the Notes being less than the period prescribed by the relevant Capital Regulations;

**"Loss Absorption Regulations Event"** means that:

- (a) any Capital Regulations become effective with respect to the relevant Issuer and/or the relevant Group; or
- (b) there is an amendment to, or change in, any Capital Regulation, or any change in the official application of any Capital Regulation, which becomes effective with respect to the relevant Issuer and/or the relevant Group.

**"Margin"** has the meaning given in the relevant Final Terms;

**"Maturity Date"** has the meaning given in the relevant Final Terms;

**"Maximum Redemption Amount"** has the meaning given in the relevant Final Terms;

**"Mid-Swap Maturity"** has the meaning given in the relevant Final Terms;

**"Mid-Market Swap Rate"** means for any Reset Period the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (calculated on the day count basis customary for fixed rate payments in the Specified Currency, such day count basis as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg

Benchmark Rate for the Mid-Swap Maturity (as specified in the relevant Final Terms) (calculated on the day count basis customary for floating rate payments in the Specified Currency, such day count basis as determined by the Calculation Agent);

**"Mid-Market Swap Rate Quotation"** means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

**"Mid-Swap Floating Leg Benchmark Rate"** means EURIBOR if the Specified Currency is euro or LIBOR for the Specified Currency if the Specified Currency is not euro or the Reference Rate as specified in the relevant Final Terms;

**"Mid-Swap Rate"** means, in relation to a Reset Determination Date and subject to Condition 6(d) (*Reset Note Provisions - Fallbacks*), either:

- (a) if Single Mid-Swap Rate is specified in the relevant Final Terms, the rate for swaps in the Specified Currency:
  - (i) with a term equal to the relevant Reset Period; and
  - (ii) commencing on the relevant Reset Date,which appears on the Relevant Screen Page; or
- (b) if Mean Mid-Swap Rate is specified in the relevant Final Terms, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered swap rate quotations for swaps in the Specified Currency:
  - (i) with a term equal to the relevant Reset Period; and
  - (ii) commencing on the relevant Reset Date,which appear on the Relevant Screen Page,

in either case, as at approximately the Reset Determination Time, all as determined by the Calculation Agent;

**"Minimum Redemption Amount"** has the meaning given in the relevant Final Terms;

**"Noteholder"**, in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer - Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer - Title to Registered Notes*);

**"Optional Redemption Amount (Call)"** means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

**"Optional Redemption Amount (Loss Absorption Disqualification Event)"** means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

**"Optional Redemption Amount (Put)"** means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

**"Optional Redemption Amount (Regulatory Event)"** means, in respect of any Tier 2 Capital Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

**"Optional Redemption Date (Call)"** has the meaning given in the relevant Final Terms;

**"Optional Redemption Date (Put)"** has the meaning given in the relevant Final Terms;

**"Payment Business Day"** means:

- (a) if the currency of payment is euro, any day which is:
  - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) if the currency of payment is not euro, any day which is:
  - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

**"Person"** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**"Principal Financial Centre"** means, in relation to any currency, the principal financial centre for that currency **provided, however, that:**

- (a) in relation to euro, it means the principal financial centre of such Member State of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (b) in relation to New Zealand dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

**"Put Option Notice"** means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**"Put Option Receipt"** means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**"Rate of Interest"** means (i) in the case of Notes other than Reset Notes, the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms, and (ii) in the case of Reset Notes, the Initial Rate of Interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest, as applicable;

**"Redemption Amount"** means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Optional Redemption Amount (Regulatory Event), the Optional Redemption Amount (Loss Absorption Disqualification Event) or such other amount in the nature of a redemption amount as may be specified in the relevant Final Terms;

**"Reference Banks"** (i) in the case of Notes other than Reset Notes, has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate; and (ii) in the case of Reset Notes, has the meaning given in the relevant Final Terms or, if none, in the case of the calculation of a Mid-Market Swap Rate, four major banks in the swap, money, securities or other market most

closely connected with the relevant Mid-Swap Rate as selected by the relevant Issuer on the advice of an investment bank of international repute;

**"Reference Bond"** means for any Reset Period a government security or securities issued by the government of the state responsible for issuing the Specified Currency (which, if the Specified Currency is euro, shall be Germany) agreed between the relevant Issuer and the Calculation Agent as having the nearest actual or interpolated maturity comparable with the relevant Reset Period and that (in the opinion of the relevant Issuer, after consultation with the Calculation Agent) would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issuances of corporate debt securities denominated in the Specified Currency and of a comparable maturity to the relevant Reset Period;

**"Reference Bond Price"** means, with respect to any Reset Determination Date, (i) the arithmetic average of the Reference Government Bond Dealer Quotations for such Reset Determination Date (as applicable), after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (ii) if fewer than five (but more than one) such Reference Government Bond Dealer Quotations are received, the arithmetic average of all such quotations, or (iii) if only one Reference Government Bond Dealer Quotation is received or if no Reference Government Bond Dealer Quotations are received, the First Reset Rate of Interest shall be the Initial Rate of Interest and any Subsequent Reset Rate of Interest shall be determined to be the Rate of Interest as at the last preceding Reset Date;

**"Reference Bond Rate"** means, with respect to any Reset Period (as applicable), the rate per annum equal to the yield to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its principal amount) equal to the Reference Bond Price for such Reset Determination Date;

**"Reference Government Bond Dealer"** means each of five banks selected by the relevant Issuer (following, where practicable, consultation with the Determination Agent, if applicable), or their affiliates, which are (i) primary government securities dealers, and their respective successors, or (ii) market makers in pricing corporate bond issues;

**"Reference Government Bond Dealer Quotations"** means, with respect to each Reference Government Bond Dealer and any Reset Determination Date, the arithmetic average, as determined by the relevant Issuer or the Determination Agent (as applicable), of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its principal amount) as at the Reset Determination Time and quoted in writing to the Calculation Agent by such Reference Government Bond Dealer (in the case of the calculation of interest in respect of a Reset Period);

**"Reference Price"** has the meaning given in the relevant Final Terms;

**"Reference Rate"** means EURIBOR or LIBOR in each case for the relevant currency and for the relevant period as specified in the relevant Final Terms;

**"Regular Period"** means:

- (a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the First Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any

Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

**"Regulatory Approval"** means such prior permission of the Supervisory Authority or any other relevant national or European authority as is required under the then prevailing Capital Regulations;

**"Regulatory Preconditions"** means,

- (a) in relation to any redemption or repurchase of Notes, to the extent required by prevailing Capital Regulations at the relevant time:
  - (i) on or before the relevant redemption date, the relevant Issuer and/or the relevant Group having replaced such Notes with own funds or eligible liabilities instruments of equal or higher quality at terms that are sustainable for the income capacity of the relevant Issuer and/or the relevant Group; or
  - (ii) the relevant Issuer having demonstrated to the satisfaction of the Supervisory Authority that the own funds and eligible liabilities of the relevant Issuer and/or the relevant Group would, following such redemption, or repurchase, exceed its minimum capital requirements (including any capital buffer requirements) and eligible liabilities requirement by a margin that the Supervisory Authority considers necessary in accordance with the Capital Regulations at such time; and
- (b) in the case of a redemption of only the Tier 2 Capital Notes before five years after the date of issuance of the relevant Tier 2 Capital Notes if:
  - (i) in the case of redemption due to the occurrence of a Regulatory Event, (i) the Supervisory Authority or any other relevant national or European authority considers such change to be sufficiently certain and (ii) the relevant Issuer demonstrates to the satisfaction of the Supervisory Authority that the Regulatory Event was not reasonably foreseeable at the time of issuance of the first tranche of such Tier 2 Capital Notes; or
  - (ii) in the case of redemption due to the occurrence of a Tax Event (as defined below), there is a change in the applicable tax treatment of the relevant Tier 2 Capital Notes which the Issuer demonstrates to the satisfaction of the Supervisory Authority is material and was not reasonably foreseeable at the time of issuance of the first tranche of such Notes.

Notwithstanding the above conditions, if, at the time of such redemption, the prevailing Capital Regulations permit the redemption or repurchase after compliance with one or more alternative pre-conditions to either of those set out in this definition, or require compliance with one or more additional pre-conditions, the relevant Issuer shall comply with such other pre-conditions;

**"Relevant Date"** means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

**"Relevant Financial Centre"** has the meaning given in the relevant Final Terms;

**"Relevant Screen Page"** means the page, section or other part of a particular information service (or any successor or replacement page, section or other part of a particular information service, including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

**"Relevant Time"** has the meaning given in the relevant Final Terms;

**"Reserved Matter"** has the meaning given in the Trust Deed and includes any proposal: to change any date fixed for or to reduce the amount of payment of principal or interest in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment; to change the currency in which amounts due in respect of the Notes are payable; or to change the quorum required at any meeting or the majority required to pass an Extraordinary Resolution;

**"Reset Date"** means the First Reset Date and each Subsequent Reset Date (as applicable);

**"Reset Determination Date"** means, unless otherwise specified in the relevant Final Terms, the second Business Day prior to each relevant Reset Date;

**"Reset Determination Time"** means in relation to a Reset Determination Date, 11.00a.m. in the Principal Financial Centre of the Specified Currency on such Reset Determination Date or such other time as may be specified in the applicable Final Terms;

**"Reset Note"** means a Note which bears interest at a rate of interest which is recalculated at specified intervals;

**"Reset Period"** means the First Reset Period or a Subsequent Reset Period, as the case may be;

**"Reset Reference Rate"** means either (i) the Mid-Swap Rate, or (ii) the Reference Bond Rate, as specified in the applicable Final Terms;

**"Senior Creditors"** means creditors of the relevant Issuer (i) who are depositors and/or other unsubordinated creditors of such relevant Issuer; or (ii) who are subordinated creditors of such Issuer (whether in the event of winding-up or administration of such Issuer or otherwise) other than those whose claims by law rank, or by their terms are expressed to rank, *pari passu* with or junior to the claims of the Holders of Tier 2 Capital Notes and relevant Couponholders;

**"Specified Currency"** has the meaning given in the relevant Final Terms;

**"Specified Denomination(s)"** has the meaning given in the relevant Final Terms;

**"Specified Office"** has the meaning given in the Agency Agreement;

**"Specified Period"** has the meaning given in the relevant Final Terms;

**"Subsequent Margin"** means the margin applicable to the Mid-Swap Rate or the Reference Bond (as applicable) specified as such in the relevant Final Terms;

**"Subsequent Reset Date"** means the date or dates specified in the relevant Final Terms;

**"Subsequent Reset Period"** means the period from (and including) the first Subsequent Reset Date to (but excluding) the next Subsequent Reset Date, and each successive period from (and including) a Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date;

**"Subsequent Reset Rate of Interest"** means, in respect of any Subsequent Reset Period and subject to Condition 6(d) (*Reset Note Provisions - Fallbacks*), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Reference Rate and the relevant Subsequent Margin;

**"Subsidiary"** means each subsidiary undertaking (as defined under section 1159 of the Companies Act) for the time being of the relevant Issuer;

**"Supervisory Authority"** means the United Kingdom Prudential Regulation Authority and/or any successor or replacement thereto or such other authority having primary responsibility for the prudential oversight and supervision of the relevant Issuer and/or the HoldCo Group;

**"Talon"** means a talon for further Coupons;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

"**Tier 2 Capital**" means Tier 2 Capital for the purposes of the Capital Regulations;

"**Winding-up Event**" means with respect to the Notes if (i) a court of competent jurisdiction in England (or such other jurisdiction in which the relevant Issuer may be organised) makes an order for its winding-up which is not successfully appealed within 30 days of the making of such order, (ii) the relevant Issuer's shareholders adopt an effective resolution for its winding-up (other than, in the case of either (i) or (ii) above, under or in connection with a scheme of reconstruction, merger or amalgamation not involving a bankruptcy or insolvency) or (iii) following the appointment of an administrator of the relevant Issuer, the administrator gives notice that it intends to declare and distribute a dividend; and

"**Zero Coupon Note**" means a Note specified as such in the relevant Final Terms.

(b) *Interpretation*

In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 13 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being "outstanding" shall be construed in accordance with the Trust Deed;
- (vii) if an expression is stated in Condition 2(a) (*Definitions and Interpretation - Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and
- (viii) any reference to the Trust Deed or the Agency Agreement shall be construed as a reference to the Trust Deed or the Agency Agreement, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3. **Form, Denomination, Title and Transfer**

- (a) *Bearer Notes*: Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

- (b) *Title to Bearer Notes:* Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.
- (c) *Registered Notes:* Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Final Terms and higher integral multiples of a smaller amount specified in the relevant Final Terms.
- (d) *Title to Registered Notes:* The Registrar will maintain the register (the "**Register**") in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, "**Holder**" means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.
- (e) *Ownership:* The Holder of any Note or Coupon shall (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 other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.
- (f) *Transfers of Registered Notes:* Subject to Conditions 3(i) (*Closed periods*) and 3(j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.
- (g) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with Condition 3(f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (h) *No charge:* The transfer of a Registered Note will be effected without charge by or on behalf of the relevant Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (i) *Closed periods:* Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes or once notice of redemption of the Notes has been given in accordance with Condition 10 (*Redemption and Purchase*).
- (j) *Regulations concerning transfers and registration:* All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the relevant Issuer with

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the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

- (k) *No exchange*: Registered Notes may not be exchanged for Bearer Notes and Bearer Notes may not be exchanged for Registered Notes.

#### 4. **Status**

The Notes are either Senior Notes ("**Senior Notes**") or Tier 2 Capital Notes ("**Tier 2 Capital Notes**"), as specified in the relevant Final Terms.

- (a) *Senior Notes*

The Senior Notes (and the Coupons relating thereto, if any) constitute direct, unconditional, unsecured and unsubordinated obligations of the relevant Issuer which will at all times rank *pari passu* among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the relevant Issuer, save for such obligations as may be preferred by provisions of law.

- (b) *Tier 2 Capital Notes*

The Tier 2 Capital Notes (and the Coupons relating thereto, if any) constitute direct, unsecured and subordinated obligations of the relevant Issuer ranking *pari passu* without any preference among themselves. In the event of the winding up or administration of the relevant Issuer, the claims of the Trustee (on behalf of the Noteholders but not the rights and claims of the Trustee in its personal capacity under the Trust Deed) and the Holders of Tier 2 Capital Notes and any related Coupons against the relevant Issuer in respect of such Notes and Coupons (including any damages or other amounts (if payable)) shall (i) be subordinated to the claims of all Senior Creditors; (ii) rank at least *pari passu* with the claims of all other subordinated creditors of the relevant Issuer which in each case by law rank, or by their terms are expressed to rank, *pari passu* with the Tier 2 Capital Notes (including holders of instruments of the relevant Issuer that qualify as Tier 2 instruments in accordance with the Capital Regulations); and (iii) rank senior to the relevant Issuer's ordinary shares, preference shares and any junior subordinated obligations or other securities of the relevant Issuer which by law rank, or by their terms are expressed to rank, junior to the Tier 2 Capital Notes.

Nothing in this Condition 4 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.

- (c) *No set-off – Senior Notes and Tier 2 Capital Notes*

Subject to applicable law, claims in respect of any Tier 2 Capital Notes or related Coupons may not be set-off, or be the subject of a counterclaim, by the Holder against or in respect of any of its obligations to the relevant Issuer, the Trustee or any other person and every Holder waives, and shall be treated for all purposes as if it had waived, any right that it might otherwise have to set-off, or to raise by way of counterclaim any of its claims in respect of any Tier 2 Capital Notes or related Coupons, against or in respect of any of its obligations to the relevant Issuer, the Trustee or any other person. If, notwithstanding the preceding sentence, any Holder receives or recovers any sum or the benefit of any sum in respect of any Tier 2 Capital Note or related Coupon by virtue of any such set-off or counterclaim, it shall hold the same on trust for the relevant Issuer and shall pay the amount thereof to the relevant Issuer or, in the event of the winding up of the relevant Issuer, to the liquidator of the relevant Issuer.

If Senior Notes Waiver of Set-off is specified in the relevant Final Terms as being applicable, then the previous paragraph shall apply to Senior Notes, any related Coupons and each Holder in respect of such Senior Notes *mutatis mutandis* and as if reference in that paragraph to Tier 2 Capital Notes were a reference to such Senior Notes.

5. **Fixed Rate Note Provisions**

- (a) *Application:* This Condition 5 is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from (and including) the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments - Bearer Notes*) and Condition 12 (*Payments - Registered Notes*). Each Note will cease to bear interest from (and including) the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination. Payments of interest on any Interest Payment Date will, if so specified in the relevant Final Terms, amount to the Broken Amount so specified.
- (d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

6. **Reset Note Provisions**

- (a) *Application:* This Condition 6 is applicable to the Notes only if the Reset Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest:
- (i) from (and including) the Interest Commencement Date until (but excluding) the First Reset Date at the rate per annum equal to the Initial Rate of Interest;
  - (ii) from (and including) the First Reset Date until (but excluding) the first Subsequent Reset Date or, if a Subsequent Reset Date is not specified in the relevant Final Terms, the Maturity Date at the rate per annum equal to the First Reset Rate of Interest; and
  - (iii) for each Subsequent Reset Period thereafter (if any), at the rate per annum equal to the relevant Subsequent Reset Rate of Interest,

payable, in each case, in arrear on each Interest Payment Date subject as provided in Condition 11 (*Payments - Bearer Notes*) and Condition 12 (*Payments - Registered Notes*). Each Note will cease to bear interest from (and including) the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Rate of Interest and Interest Amount:* The Rate of Interest applicable for each Reset Period shall be determined by the Calculation Agent at or as soon as practicable after each time at which the Rate of Interest is to be determined on each Reset Determination Date. The Interest Amount payable on the Notes shall be calculated in accordance with the provisions for calculating amounts of interest in Condition 5 (*Fixed Rate Note Provisions*) and, for such purposes, references in Condition 5 (*Fixed Rate Note Provisions*) to "Fixed Rate Notes" shall be deemed to be to "Reset Notes" and Condition 5 (*Fixed Rate Note Provisions*) shall be construed accordingly.

(d) *Fallbacks:*

If on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page (other than in the circumstances provided for in Condition 7A (*Benchmark Replacement*)) and the relevant Issuer has specified in the applicable Final Terms that the Reference Bond Rate is applicable as the fallback to the Mid-Swap Rate, the Reset Reference Rate shall be the Reference Bond Rate calculated by the Calculation Agent in accordance with these Conditions and subject (if applicable) to the relevant Capital Regulations. Alternatively, if on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page and (i) the Reference Bond Rate has not been specified as the fallback to the Mid-Swap Rate, or (ii) if the Reference Bond Rate has been specified as the fallback to the Mid-Swap Rate, only one or no Reference Government Bond Dealer Quotation is received for the purpose of calculating the Reference Bond Price applicable to the Reference Bond, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately the Reset Determination Time.

If two or more of the Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period shall be the sum of the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent.

If only one of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the Reset Period shall be the sum of such Mid-Market Swap Rate Quotation and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent. If on any Reset Determination Date none of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this paragraph (d), the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be determined to be the Rate of Interest as at the last preceding Reset Date or, in the case of the first Reset Determination Date, the First Reset Rate of Interest shall be the Initial Rate of Interest.

(e) *Publication:* The Calculation Agent will cause each Rate of Interest determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the relevant Issuer, the Paying Agents, the Trustee and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest and Interest Payment Date) in any event not later than the relevant Reset Date. Notice thereof shall also be given to the Noteholders in accordance with Condition 20 (*Notices*) as soon as practicable after the determination or calculation thereof.

(f) *Notifications etc:* All notifications, opinions, communications, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6 by the Calculation Agent will (in the absence of manifest error) be final and binding on the relevant Issuer, the Trustee, the Paying Agents, the Noteholders and the Couponholders. No Noteholder or Couponholder shall be entitled to proceed against the Calculation Agent, the Trustee, the Paying Agents or any of them in connection with the exercise or non-exercise by them of their powers, duties and discretions hereunder, including without limitation in respect of

any notification, opinion, communication, determination, certificate, calculation, quotation or decision given, expressed or made for the purposes of this Condition 6.

#### 7. **Floating Rate Note Provisions**

- (a) *Application:* This Condition 7 is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from (and including) the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments - Bearer Notes*) and Condition 12 (*Payments - Registered Notes*). Each Note will cease to bear interest from (and including) the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
  - (ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:
    - (A) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
    - (B) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period;

*provided, however, that* if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate;
  - (iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
  - (iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
    - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

- (v) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

- (d) *ISDA Determination:* If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms;
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on LIBOR for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms; and
- (iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:
- (A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
- (B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period

**provided, however, that** if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

- (e) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount

will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

- (g) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the relevant Issuer, the Paying Agents, the Trustee and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also be given to the Noteholders in accordance with Condition 20 (*Notices*) as soon as practicable after the determination or calculation thereof. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- (h) *Notifications etc:* All notifications, opinions, communications, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 by the Calculation Agent will (in the absence of manifest error) be final and binding on the relevant Issuer, the Trustee, the Paying Agents, the Noteholders and the Couponholders. No Noteholder or Couponholder shall be entitled to proceed against the Calculation Agent, the Trustee, the Paying Agents or any of them in connection with the exercise or non-exercise by them of their powers, duties and discretions hereunder, including without limitation in respect of any notification, opinion, communication, determination, certificate, calculation, quotation or decision given, expressed or made for the purposes of this Condition 7.

#### 7A. **Benchmark Replacement**

In addition, notwithstanding the provisions in Condition 6 (*Reset Note Provisions*) or Condition 7 (*Floating Rate Note Provisions*) above, if the relevant Issuer determines that the relevant Reference Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable) specified in the relevant Final Terms has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered or the relevant Issuer considers that there may be a Successor Rate (as defined below) when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate or Mid-Swap Floating Leg Benchmark Rate, (a "**Benchmark Event**") then the following provisions shall apply:

- (i) the relevant Issuer shall use reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine, no later than 5 Business Days prior to the relevant Interest Determination Date or Reset Determination Date (as applicable) relating to the next succeeding Interest Period or Reset Period (as applicable) (the "**IA Determination Cut-off Date**"), a Successor Rate (as defined below) or, alternatively, if there is no Successor Rate, an Alternative Reference Rate (as defined below) for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;
- (ii) if the relevant Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;

- (iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) shall be the Reference Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable) for each of the future Interest Periods or Reset Periods (as applicable) (subject to the subsequent operation of, and to adjustment as provided in, this Condition 7A (*Benchmark Replacement*)); *provided however*, that if sub-paragraph (ii) applies and the relevant Issuer is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date or Reset Determination Date (as applicable), the Rate of Interest applicable to the next succeeding Interest Period or Reset Period (as applicable) shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Period or Reset Period (as applicable) (or alternatively, if there has not been a first Interest Payment Date or Reset Date (as applicable), the rate of interest shall be the Initial Rate of Interest) (subject, where applicable, to substituting the Margin that applied to such preceding Interest Period or Reset Period (as applicable) for the Margin that is to be applied to the relevant Interest Period or Reset Period (as applicable)); for the avoidance of doubt, the proviso in this sub-paragraph (iii) shall apply to the relevant Interest Period or Reset Period (as applicable) only and any subsequent Interest Periods or Reset Periods (as applicable) are subject to the subsequent operation of and to adjustment as provided in, this Condition 7A (*Benchmark Replacement*);
- (iv) if the Independent Adviser or the relevant Issuer determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the relevant Issuer (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Interest Determination Date, Reset Determination Date, Reset Determination Time and/or the definition of Reference Rate or Mid-Swap Floating Leg Benchmark Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, in order to follow market practice in relation to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser (in consultation with the relevant Issuer) or the relevant Issuer (as applicable), determines that an Adjustment Spread (as defined below) is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser or the relevant Issuer (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the Trustee and Principal Paying Agent shall, at the direction and expense of the Issuer, but subject to receipt by the Trustee of the certificate referred to in sub-paragraph (v) below, without the requirement for any consent or approval of the Noteholders, effect such amendments to the Trust Deed, the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 7A (*Benchmark Replacement*) (such amendments, the "**Benchmark Amendments**"), provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee, doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed);
- (v) the relevant Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable) and the specific terms of any Benchmark Amendments to these Conditions and/or the Trust Deed, give notice thereof to the Trustee, the Principal Paying Agent and the Noteholders. No later than notifying the Trustee of the same, the relevant Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories (as defined in the Trust Deed) of the relevant Issuer:
  - (A) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, Alternative Reference Rate and, (iii) where applicable, the

specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 7A; and

- (B) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate or Alternative Reference Rate, as the case may be.

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

- (vi) any determination to be made by or any changes to the Conditions to be specified by the Independent Adviser or the relevant Issuer pursuant to the provisions of this Condition 7A shall at all times be made by such Independent Adviser or relevant Issuer acting in good faith and in a commercially reasonable manner,

*provided that* the determination of any Successor Rate or Alternative Reference Rate, and any other related changes to the Notes, shall be made in accordance with the relevant Capital Regulations (if applicable).

For the purposes of this Condition 7A (*Benchmark Replacement*):

**"Adjustment Spread"** means a spread (which may be positive or negative) or formula or methodology for calculating a spread, which the Independent Adviser (in consultation with the relevant Issuer) or the relevant Issuer (as applicable), determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Noteholders and Couponholders as a result of the replacement of the Reference Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable) with the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable) with the Successor Rate by any Relevant Nominating Body (as defined below); or
- (ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the relevant Issuer) or the relevant Issuer (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable), where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or
- (iii) if no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) or the relevant Issuer in its discretion (as applicable), determines (acting in good faith) to be appropriate;

**"Alternative Reference Rate"** means the rate that the Independent Adviser or the relevant Issuer (as applicable) determines has replaced the relevant Reference Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable) in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period or Reset Period (as applicable), or, if the Independent Adviser or the relevant Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the relevant Issuer (as applicable) determines in its sole discretion is most comparable to the relevant Reference Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable));

**"Independent Adviser"** means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets, in each case appointed by the relevant Issuer at its own expense;

**"Relevant Nominating Body"** means, in respect of a reference rate or mid-swap floating leg benchmark rate:

- (i) the central bank for the currency to which the reference rate or mid-swap floating leg benchmark rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate or mid-swap floating leg benchmark rate; or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the reference rate or mid-swap floating leg benchmark rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate or mid-swap floating leg benchmark rate, (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 the rate that the Independent Adviser or the relevant Issuer (as applicable) determines is a successor to or replacement of the Reference Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable) which is formally recommended by any Relevant Nominating Body.

8. **Zero Coupon Note Provisions**

- (a) *Application:* This Condition 8 is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. **Fixed/Floating Rate Notes**

- (a) *Application:* This Condition 9 is applicable to the Notes only if the Fixed Rate Note Provisions and the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Fixed/Floating Rate:* The relevant Issuer may issue Notes (i) that the relevant Issuer may elect to convert on the date set out in the relevant Final Terms from a Fixed Rate Note to a Floating Rate Note, or from a Floating Rate Note to a Fixed Rate Note or (ii) that will automatically change from a Fixed Rate Note to a Floating Rate Note, or from a Floating Rate Note to a Fixed Rate Note on the date set out in the relevant Final Terms.

10. **Redemption and Purchase**

- (a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments - Bearer Notes*) and Condition 12 (*Payments - Registered Notes*).

- (b) *Redemption at the option of the Issuer:* Subject to Condition 10(l) (*Restriction on Early Redemption or Purchase of Notes*) below, if the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the relevant Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the relevant Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant Final Terms (which notice shall be irrevocable and shall oblige the relevant Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).
- (c) *Redemption for tax reasons:* Subject to Condition 10(l) (*Restriction on Early Redemption or Purchase of Notes*) below, the Notes may be redeemed at the option of the relevant Issuer in whole, but not in part (x) at any time (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being not applicable); or (y) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable), at their Early Redemption Amount (Tax), together with any accrued but unpaid interest to the date fixed for redemption, *provided that:*
- (i) the relevant Issuer provides not less than 30 days' nor more than 60 days' prior notice to the Trustee and the Holders of the Notes (such notice being irrevocable) specifying the date fixed for such redemption; and
  - (ii) if, immediately before giving such notice, the relevant Issuer satisfies the Trustee that, as a result of any change or proposed change in or amendment or proposed amendment to the laws or regulations of the United Kingdom or any authority or political subdivision therein or thereof having power to tax, including any treaty to which such jurisdiction is a party, or any change in the official application of those laws or regulations (including a holding by a court or tribunal of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes and, in the case of Tier 2 Capital Notes only where such redemption occurs prior to the fifth anniversary of the Issue Date of the first Tranche of the Tier 2 Capital Notes, which the relevant Issuer demonstrates to the satisfaction of the Supervisory Authority is material and was not reasonably foreseeable as at the Issue Date of the first Tranche of the Tier 2 Capital Notes:
    - (A) the relevant Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*); or
    - (B) in the case of Tier 2 Capital Notes only:
      - (1) the relevant Issuer is or would not be entitled to claim a deduction in computing its taxable profits and losses in respect of interest payable on the Notes, or such a deduction is or would be reduced or deferred; or
      - (2) the relevant Issuer is not or would not be able to treat the Notes as loan relationships for the purposes of Part 5 of the Corporation Tax Act 2009;
      - (3) the relevant Issuer treats or would be required to treat any part of the Notes as an embedded derivative for tax purposes, or the relevant Issuer otherwise is or would be required to take changes in or re-estimates of the value of the Notes or any part of the Notes, or of the present value of the cashflows arising in respect of the Notes or any part of the Notes, into account in computing its taxable profits and losses; or
      - (4) the Notes are not or would not be treated as "normal commercial loans" for the purposes of Chapter 6 of Part 5 of the Corporation Tax Act 2010, or the Notes otherwise are or would be required to be taken into account for the purposes of determining any group for tax purposes, such that there is or would be a change in the membership of any group for tax purposes,

(each such change or amendment, a "**Tax Event**"); and

in the case of each of (A) and (B), such consequences cannot be avoided by the relevant Issuer taking reasonable measures available to it,

provided, further, that no such notice of redemption shall be given earlier than (1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the relevant Issuer would be obliged to pay such additional amounts or is unable to make such deduction if a payment in respect of the Notes were then due; or (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the relevant Issuer would be obliged to pay such additional amounts or is unable to make such deduction if a payment in respect of the Notes were then due.

Before the publication of any notice of redemption pursuant to this Condition 10(c) (*Redemption for tax reasons*) the relevant Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories (as defined in the Trust Deed) of the relevant Issuer stating that the conditions precedent for redeeming the Notes pursuant to this Condition 10(c) (*Redemption for tax reasons*) have been met and the Trustee shall be entitled to accept without liability for so doing the 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 and Couponholders.

Upon the expiry of any such notice as is referred to in this Condition 10(c) (*Redemption for tax reasons*), the relevant Issuer shall be bound to redeem the Notes in accordance with this Condition 10(c) (*Redemption for tax reasons*).

- (d) *Regulatory Event Redemption of Tier 2 Capital Notes*: Subject to Condition 10(l) (*Restriction on Early Redemption or Purchase of Notes*) below, if there is a change (or a pending change which the Supervisory Authority considers to be sufficiently certain) in the regulatory classification of the Tier 2 Capital Notes under the Capital Regulations that occurs on or after the Issue Date of the first Tranche of such Tier 2 Capital Notes (and which, where such redemption occurs prior to the fifth anniversary of the Issue Date of the first Tranche of the Tier 2 Capital Notes, the relevant Issuer demonstrates to the satisfaction of the Supervisory Authority was not reasonably foreseeable as at the Issue Date of the first Tranche of such Tier 2 Capital Notes) and that does, or would be likely to, result in the whole or any part of the outstanding aggregate principal amount of such Tier 2 Capital Notes being excluded from the Tier 2 Capital of the relevant Issuer and/or the relevant Group (a "**Regulatory Event**"), the relevant Issuer may, at its option, redeem the Tier 2 Capital Notes, in whole but not in part, at the relevant Optional Redemption Amount (Regulatory Event), together with any accrued but unpaid interest to the date fixed for redemption, *provided that* the relevant Issuer provides not less than 30 days' nor more than 60 days' prior notice to the Trustee, the Principal Paying Agent and the Holders of the Tier 2 Capital Notes (such notice being irrevocable) specifying the date fixed for such redemption.

Prior to the publication of any notice of redemption pursuant to this Condition 10(d) (*Regulatory Event Redemption of Tier 2 Capital Notes*), the relevant Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories (as defined in the Trust Deed) of the relevant Issuer stating that the conditions precedent for redeeming the Tier 2 Capital Notes pursuant to this Condition 10(d) (*Regulatory Event Redemption of Tier 2 Capital Notes*) have been met and the Trustee shall be entitled to accept without liability for so doing the 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 and Couponholders.

Upon the expiry of such notice period, the relevant Issuer shall be bound to redeem the Tier 2 Capital Notes accordingly.

- (e) *Loss Absorption Disqualification Event Redemption of Senior Notes*: If the applicable Final Terms specify that this Condition 10(e) (*Loss Absorption Disqualification Event Redemption of Senior Notes*) applies then, subject to Condition 10(l) (*Restriction on Early Redemption or Purchase of Notes*) below, if a Loss Absorption Regulations Event occurs on or after the Issue

Date of the first Tranche of a Series of Senior Notes that does, or would be likely to (in the opinion of the relevant Issuer, the Supervisory Authority or any other relevant national or European authority), result in a Loss Absorption Disqualification Event, the relevant Issuer may, at its option, redeem the relevant Series of Senior Notes, in whole but not in part, at the relevant Optional Redemption Amount (Loss Absorption Disqualification Event), together with any accrued but unpaid interest to (but excluding) the date fixed for redemption, provided that the relevant Issuer provides not less than 30 days' nor more than 60 days' prior notice to the Trustee, the Paying Agent and the Holders of the relevant Series of Senior Notes (such notice being irrevocable) specifying the date fixed for such redemption; and

Prior to giving notice of redemption under this Condition 10(e) (*Loss Absorption Disqualification Event Redemption of Senior Notes*), the relevant Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the relevant Issuer stating that the relevant circumstance referred to under this Condition 10(e) (*Loss Absorption Disqualification Event Redemption of Senior Notes*) does exist. Such certificate shall be treated by the relevant Issuer, the Trustee, the Holders and all other interested parties as correct, conclusive and sufficient evidence thereof.

Upon expiry of such notice period, the relevant Issuer shall be bound to redeem the relevant Series of Senior Notes accordingly.

- (f) *Redemption at the option of Noteholders:* In the case of any Series of Senior Notes only, if the Put Option is specified in the relevant Final Terms as being applicable, the relevant Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice (which notice shall be irrevocable) at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. No Series of Tier 2 Capital Notes shall contain a Put Option. In order to exercise the option contained in this Condition 10(f) (*Redemption at the option of Noteholders*), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant Final Terms), deposit with any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent or the Registrar (as the case may be) with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(f) (*Redemption at the option of Noteholders*), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent or the Registrar (as the case may be) in accordance with this Condition 10(f) (*Redemption at the option of Noteholders*), the depositor of such Note and not such Paying Agent or the Registrar (as the case may be) shall be deemed to be the Holder of such Note for all purposes. The Holder of a Note may not exercise such option in respect of any Note which is the subject of an exercise by the Issuer of its option to redeem such Note under Conditions 10(b) (*Redemption at the option of the Issuer*), 10(c) (*Redemption for tax reasons*), or 10(g) (*Partial redemption*) and any exercise of the first-mentioned option in such circumstances shall have no effect.
- (g) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 10(b) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Principal Paying Agent approves and in such manner as the Principal Paying Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 10(b) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption

Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

- (h) *No other redemption:* The relevant Issuer shall not be entitled to redeem the Notes otherwise than as provided in Condition 10(a) (*Scheduled redemption*) to Condition 10(g) (*Partial redemption*) above.
- (i) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 10(i) (*Early redemption of Zero Coupon Notes*) or, if none is so specified, a Day Count Fraction of 30E/360.

- (j) *Purchase:* subject to Condition 10(l) (*Restriction on Early Redemption or Purchase of Notes*) the relevant 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, **provided that** all unmaturing Coupons (if any) are purchased therewith.
- (k) *Cancellation:* All Notes which are redeemed by the relevant Issuer pursuant to this Condition 10 (*Redemption and Purchase*) will be cancelled. All Notes purchased by or on behalf of the relevant Issuer or any of its Subsidiaries may be held, reissued, resold or, at the option of the relevant Issuer or any such Subsidiary, cancelled.
- (l) *Restriction on Early Redemption or Purchase of Notes:* Notwithstanding any other provision in this Condition 10 (*Redemption and Purchase*), the relevant Issuer may redeem or repurchase the Notes only if it has, to the extent required by the Capital Regulations, (x) obtained Regulatory Approval and (y) complied with the Regulatory Preconditions.

## 11. **Payments - Bearer Notes**

This Condition 11 (*Payments - Bearer Notes*) is only applicable to Bearer Notes.

- (a) *Principal:* Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.
- (b) *Interest:* Payments of interest shall, subject to Condition 11(h) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 11(a) (*Principal*) above.
- (c) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the relevant Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all

such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

- (d) *Payments subject to fiscal laws:* All payments in respect of the Bearer Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) *Deductions for unmatured Coupons:* If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:
  - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
  - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
    - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
    - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in Condition 11(a) (*Principal*) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

- (f) *Unmatured Coupons void:* If the relevant Final Terms specifies that this Condition 11(f) is applicable, that the Reset Note Provisions are applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 10(b) (*Redemption at the option of the Issuer*), Condition 10(c) (*Redemption for tax reasons*), Condition 10(d) (*Regulatory Event Redemption of Tier 2 Capital Notes*), Condition 10(e) (*Loss Absorption Disqualification Event Redemption of Senior Notes*), Condition 10(f) (*Redemption at the option of Noteholders*) or Condition 14 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) *Payments on business days:* If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the

Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 11(c) (*Payments in New York City*) above).

- (i) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

## 12. **Payments - Registered Notes**

This Condition 12 is only applicable to Registered Notes.

- (a) *Principal:* Payments of principal shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (b) *Interest:* Payments of interest shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (c) *Payments subject to fiscal laws:* All payments in respect of the Registered Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (d) *Payments on business days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 12 arriving after the due date for payment or being lost in the mail.
- (e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Registered Note, the relevant Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

- (f) *Record date:* Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

### 13. **Taxation**

- (a) *Gross up:* All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the relevant Issuer shall 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 or on behalf of the United Kingdom or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the relevant Issuer shall pay such additional amounts on payments of principal and interest (in the case of Senior Notes) or on payments of interest but not principal (in the case of Tier 2 Capital Notes) as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:
- (i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the United Kingdom other than the mere holding of the Note or Coupon; or
  - (ii) where the relevant Note or Coupon or Note Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Note or Coupon would have been entitled to such additional amounts on presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days; or
  - (iii) where the Holder is able to avoid such withholding or deduction by complying, or procuring that a third party complies with, any applicable 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 tax authority.
- (b) *FATCA:* For the avoidance of doubt, any amounts to be paid by the relevant Issuer on the Notes will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, any intergovernmental agreement, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (or any law implementing such an intergovernmental agreement) (a "**FATCA Withholding Tax**"). Neither the relevant Issuer nor any other person will be required to pay any additional amounts on account of any FATCA Withholding Tax.
- (c) *Taxing jurisdiction:* If the relevant Issuer becomes subject at any time to any taxing jurisdiction other than the United Kingdom, references in these Conditions to the United Kingdom shall be construed as references to such other jurisdiction.

### 14. **Events of Default**

- (a) *Non-restrictive Events of Default:* The provisions of this Condition 14(a) shall have effect in relation to any Series of Senior Notes where the relevant Final Terms specify that Condition 14(b) does not apply.

If any of the following events occurs and is continuing, then the Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of

the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject, in all cases, to the Trustee having been indemnified and/or secured and/or pre-funded to its satisfaction) give written notice to the relevant Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Termination Amount together with any accrued but unpaid interest without further action or formality:

- (i) *Non-payment*: any principal or interest on such Notes has not been paid within 7 days (in the case of principal) and within 14 days (in the case of interest) from the due date for payment *provided that* the relevant Issuer shall not, however, be in default if it satisfies the Trustee during the 14 or 7 day period (as applicable) that such sums were not paid in order to comply with any law, regulation or order of any court of competent jurisdiction. Where there is doubt as to the validity or applicability of any such law, regulation or order, the relevant Issuer will not be in default if it acts on the advice given to it during such period by independent legal advisers approved by the Trustee; or
- (ii) *Breach of other obligations*: the relevant Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Deed and that breach has not been remedied within 30 days of receipt of a written notice from the Trustee certifying that in its *opinion* the breach is materially prejudicial to the interests of the holders of such Notes and requiring the same to be remedied; or
- (iii) *Winding-up etc.*: a Winding-up Event occurs.

At any time after any Series of Senior Notes shall have become due and repayable in accordance with this Condition 14(a) (*Non-restrictive Events of Default*), the Trustee may at its discretion and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or secured and/or pre-funded to its satisfaction), without further notice, institute such proceedings or take such steps or actions as it may think fit against the relevant Issuer to enforce payment.

- (b) *Restrictive Events of Default*: The provisions of this Condition 14(b) shall have effect in relation to (x) any Series of Tier 2 Capital Notes or (y) any Series of Senior Notes where the relevant Final Terms specify that Condition 14(b) applies.

- (i) If any of the following events occurs and is continuing, then the Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or secured and/or pre-funded to its satisfaction), without further notice:

- (A) *Non-payment*: in the event that any principal or interest on such Notes has not been paid within 7 days (in the case of principal) and within 14 days (in the case of interest) from the due date for payment, institute proceedings in a court of competent jurisdiction in England (or such other jurisdiction in which the relevant Issuer is organised) (but not elsewhere) for the winding up of the relevant Issuer and/or prove in its winding-up and/or claim in its liquidation or administration, *provided that* the relevant Issuer shall not be in default if it satisfies the Trustee during the 14 or 7 day period (as applicable) that such sums were not paid in order to comply with any law, regulation or order of any court of competent jurisdiction. Where there is doubt as to the validity or applicability of any such law, regulation or order, the relevant Issuer will not be in default if it acts on the advice given to it during such period by independent legal advisers approved by the Trustee; or

- (B) *Limited remedies for breach of other obligations (other than non-payment)*: institute such proceedings or take such steps or actions against the relevant Issuer as it may think fit to enforce any term, obligation or condition binding on the relevant Issuer under such Notes or Coupons or the terms of the Trust Deed relating thereto (other than any payment obligation of the relevant Issuer under

or arising from the Notes or Coupons or the Trust Deed, including, without limitation, payment of any principal or interest) (a "**Performance Obligation**"); provided always that the Trustee (acting on behalf of the Holders but not the Trustee acting in its personal capacity under the Trust Deed) and the Holders shall not enforce, and shall not be entitled to enforce or otherwise claim against the relevant Issuer, any judgment or other award given in such proceedings, steps or actions that requires the payment of money by the relevant Issuer, whether by way of damages or otherwise (a "**Monetary Judgment**"), except by proving such Monetary Judgment in a winding-up of the relevant Issuer and/or claiming such Monetary Judgment in an administration of the relevant Issuer.

Nothing in this Condition 14(b)(i) 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.

- (ii) If a Winding-up Event occurs, the Trustee at its discretion may and, if so requested in writing by the Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or secured and/or prefunded to its satisfaction) declare such Notes to be due and repayable immediately (and such Notes shall thereby become so due and repayable) at their outstanding principal amount (or at such other repayment amount as may be specified in or determined in accordance with the relevant Final Terms) together with any accrued but unpaid interest as provided in the Trust Deed and in respect of the Tier 2 Capital Notes, payments are subject to the subordination provisions set out in Condition 4(b) (*Status - Tier 2 Capital Notes*).
- (c) *All Notes*: The provisions of this Condition 14(c) shall have effect in relation to any Series of Notes. No Holder of any Notes and no holder of the Coupons (if any) appertaining thereto shall be entitled to institute any of the proceedings or to take any of the steps or actions referred to in Conditions 14(a) (*Non-restrictive Events of Default*) or 14(b) (*Restrictive Events of Default*) above or to prove in the winding up of the relevant Issuer except that if the Trustee, having become bound to proceed against the relevant Issuer as aforesaid, fails to do so or, having become bound to prove in such winding up, fails to do so, or having become bound to take any such steps or actions, fails to do so, in each case within a reasonable period, and in each such case such failure shall be continuing, then any such holder may itself institute such proceedings and/or prove in such winding up and/or take such steps or actions to the same extent (but not further or otherwise) that the Trustee would have been entitled so to do in respect of its Notes and/or Coupons. In the case of (i) any Series of Senior Notes where the relevant Final Terms specify that Condition 14(b) applies, or (ii) Tier 2 Capital Notes, no remedy against the relevant Issuer other than as referred to in Condition 14(b) (*Restrictive Events of Default*), shall be available to the Trustee or the Holders of such Notes or the Coupons (if any) appertaining thereto whether for the recovery of amounts owing in respect of such Notes or Coupons or under the Trust Deed in relation thereto or in respect of any breach by the relevant Issuer of any of its other obligations under or in respect of such Notes or Coupons or under the Trust Deed in relation thereto.

15. **Prescription**

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

16. **Replacement of Notes, Note Certificates, Coupons and Talons**

If any Note, Note Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation

system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the relevant Issuer may reasonably require. Mutilated or defaced Notes, Note Certificates, Coupons or Talons must be surrendered before replacements will be issued.

17. **Trustee and Agents**

Under the Trust Deed, the Trustee is entitled to be indemnified and/or secured and/or prefunded before taking any steps or actions or initiating any proceedings and relieved from responsibility in certain circumstances and to be paid its costs, fees and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the relevant Issuer and any entity relating to the relevant Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Holders of Notes as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents, the Foreign Exchange Agent, and any Calculation Agent act solely as agents of the relevant Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The relevant Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent, the Foreign Exchange Agent, or any Calculation Agent and to appoint a successor fiscal agent or registrar or Calculation Agent and additional or successor paying agents; **provided, however, that:**

- (i) the relevant Issuer shall at all times maintain a Principal Paying Agent and a Registrar; and
- (ii) if a Calculation Agent is specified in the relevant Final Terms, the relevant Issuer shall at all times maintain a Calculation Agent; and
- (iii) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the relevant Issuer shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents, the Foreign Exchange Agent, or any Calculation Agent or in their Specified Offices shall promptly be given to the Noteholders.

18. **Meetings of Noteholders; Modification and Waiver; Substitution**

- (a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions by Extraordinary Resolution, except that the provisions relating to the Tier 2 Capital Notes shall only be capable of modification in accordance with Condition 18(d) (*Supervisory Authority notice or consent*) below.

Such a meeting may be convened by the relevant Issuer or by the Trustee and, subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction, shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to

vote on an Extraordinary Resolution will be one or more Persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more Persons holding or representing not less than two-thirds or, at any adjourned meeting not less than one-third of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of the holders of at least 75 per cent. in aggregate principal amount of the outstanding Notes who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such 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.

- (b) *Modification and waiver:* Subject to certain exceptions and Condition 18(d) (*Supervisory Authority notice or consent*) below, the Trustee may, without the consent of the Noteholders, agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, not materially prejudicial to the interests of Noteholders and to any modification of the Notes or the Trust Deed which is, in the opinion of the Trustee, of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, subject to and in accordance with the Trust Deed, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

In addition, the Trustee may, subject to and in accordance with the Trust Deed, determine, without the consent of the Noteholders, that any Event of Default or Potential Event of Default (both as defined in the Trust Deed) by the relevant Issuer shall not be treated as such for the purpose of the Trust Deed and such Notes if, in the opinion of the Trustee, the interests of the relevant Noteholders would not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, determination, waiver or modification shall be notified to the Noteholders by the relevant Issuer or the Issuers (as applicable) as soon as practicable thereafter in accordance with Condition 20 (*Notices*).

- (c) *Substitution:* Subject to Condition 18(d) (*Supervisory Authority notice or consent*) below, the Trustee may, without the consent of the Noteholders, agree with the relevant Issuer to the substitution in place of the relevant Issuer (or of any previous substitute under this Condition 18(c)) as the principal debtor under the Notes and the Trust Deed of any of its wholly-owned Subsidiaries, subject to:

(i) the Trustee being satisfied that such substitution is not materially prejudicial to the interests of the Noteholders; and

(ii) certain other conditions set out in the Trust Deed being complied with.

- (d) *Supervisory Authority notice or consent:* The provisions relating to the Tier 2 Capital Notes shall only be capable of modification or waiver and the relevant Issuer of Tier 2 Capital Notes may only be substituted in accordance with Condition 18(c) (*Substitution*) above, if the relevant Issuer has notified the Supervisory Authority of such modification, waiver or substitution and/or obtained Regulatory Approval (if such notice and/or consent is then required by the Capital Regulations). Wherever such modification or waiver of the Tier 2 Capital Notes is proposed or a substitution of the relevant Issuer of the Tier 2 Capital Notes is proposed in accordance with Condition 18(c) (*Substitution*) above, the relevant Issuer shall provide to the Trustee a certificate signed by two Authorised Signatories, certifying either that (i) it has notified the Supervisory Authority of, and/or received the Supervisory Authority's consent to such modification, waiver or substitution, as the case may be; or (ii) the relevant Issuer is not required to notify the

Supervisory Authority of, and/or obtain the Supervisory Authority's consent to, such modification, waiver or substitution. The Trustee shall be entitled to rely absolutely on such certificate without further enquiry and without liability for so doing.

- (e) *Effect for the Holders:* Any such substitution shall be binding on all the Noteholders and Couponholders of the relevant Series and shall be notified to the holders of Notes of that Series not less than 30 nor more than 60 days' prior to such substitution taking effect in accordance with Condition 20 (*Notices*).

In connection with the exercise of its powers, trusts, authorities or discretions (including, but not limited to, those in relation to any such modification, waiver, authorisation or substitution as aforesaid) the Trustee shall have regard to the interests of the holders of the Notes of the relevant Series as a class and in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders resulting from the individual Noteholders or Couponholders 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, nor shall any Noteholder or Couponholder be entitled to claim, from the relevant Issuer any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders or Couponholders.

19. **Further Issues**

The relevant Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the date for, and the amount of, the first payment of interest) so as to form a single series with the Notes. The relevant Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

20. **Notices**

- (a) *Bearer Notes:* Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.
- (b) *Registered Notes:* Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

21. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

22. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Notes and the Trust Deed and all non-contractual obligations arising out of or in connection with the Notes and the Trust Deed are governed by English law.

- (b) *Jurisdiction:* The parties to the Trust Deed have (i) agreed that the courts of England shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including a dispute relating to the Notes or any non-contractual obligation arising out of or in connection with them); and (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that they will not argue that any other courts are more appropriate or convenient.

## FORM OF FINAL TERMS

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. No key information document required by Regulation (EU) No 1286/2014 (the "**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 PRIIPs Regulation.]<sup>1</sup>

**[MiFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")/[MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer[s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[s/s'] target market assessment) and determining appropriate distribution channels.]

**Final Terms dated [•]**

**[VIRGIN MONEY HOLDINGS (UK) PLC] /**

**[VIRGIN MONEY PLC]**

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the **£3,000,000,000 Global Medium Term Note Programme**

### **PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the offering circular dated 28 March 2018 [and the supplemental offering circular dated [•]] (together, the "**Offering Circular**") which [together] constitute[s] listing particulars for the purposes of Chapter 4 of the listing rules of the United Kingdom Financial Conduct Authority. This document constitutes the Final Terms of the Notes described herein and must be read in conjunction with the Offering Circular.

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under an offering circular with an earlier date and the relevant terms and conditions from that offering circular with an earlier date were incorporated by reference in this Offering Circular.]*

Terms used herein shall be deemed to be defined as such for the purposes of the conditions (the "**Conditions**") incorporated by reference in the Offering Circular dated 27 March 2015. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Offering Circular dated 28 March 2018 [and the supplemental Offering Circular dated [date]] (together, the "**Offering Circular**") which [together] constitute[s] listing particulars for the purposes of Chapter 4 of the listing rules of the United Kingdom Financial Conduct Authority, save in respect of the Conditions which are set forth in the offering circular dated 27 March 2015 and are incorporated by reference in the Offering Circular. This document constitutes the Final Terms of the Notes described herein and must be read in conjunction with the Offering Circular.]

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<sup>1</sup> Include where Part B item 7(v) of the Final Terms specifies "Applicable".

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular is available for viewing [at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html)] [and] [during normal business hours at the registered office of the Issuer at Jubilee House, Gosforth, Newcastle upon Tyne NE3 4PL, United Kingdom].

No prospectus is required under Directive 2003/71/EC (as amended) for this issue of the Notes described herein.

1. Issuer: [Virgin Money Holdings (UK) plc]  
[Virgin Money plc]
2. (i) Series Number: [•]  
(ii) Tranche Number: [•]  
(iii) Date on which the Notes become fungible: [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [[•]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [24] below [which is expected to occur on or about [•]].]
3. Specified Currency or Currencies: [•]
4. Aggregate Nominal Amount: [•]  
[(i) [Series]: [•]  
[(ii) Tranche: [•]]
5. Issue Price: [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]
6. (i) Specified Denominations: [•]  
(ii) Calculation Amount: [•]
7. (i) Issue Date: [•]  
(ii) Interest Commencement Date: [[•]/Issue Date/Not Applicable]
8. Maturity Date: [•]
9. Interest Basis: [[•] per cent. Fixed Rate]  
[Reset Notes]  
[EURIBOR/LIBOR] +/- [•] per cent. Floating Rate]  
[Zero Coupon]  
(see paragraph [14/15/16/17] below)
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [[•]/[100]] per cent. of their nominal amount.

- |     |   |  |
|-----|---|--|
| 11. | Change of Interest or Redemption/<br>Payment Basis:               | [[•]/Not Applicable]   |
| 12. | Put/Call Options:   | [Investor Put]<br>[Issuer Call]<br>[(see paragraph [18/19] below)]<br>[Not Applicable] |
| 13. | [(i)] Status of the Notes:  | [Senior/Tier 2 Capital Notes]  |
|     | [(ii)] Senior Notes Waiver of Set-off:                            | [Applicable/Not Applicable]  |
|     | [(iii)] Senior Notes Events of Default:                           | Condition 14(b): [Applicable/Not Applicable]   |
|     | [(iv)] [Date [Board] approval for<br>issuance of Notes obtained]: | [•]  |

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

- |     |  |   |
|-----|--|---|
| 14. | <b>Fixed Rate Note Provisions</b>  | [Applicable/Not Applicable/Applicable from<br>[•] to [•] [if so elected by the Issuer on or<br>before [•]]]                                 |
|     | (i) Rate[(s)] of Interest:   | [•] per cent. per annum payable in arrear on<br>each Interest Payment Date  |
|     | (ii) Interest Payment Date(s):   | [•] [and [•]] in each year  |
|     | (iii) Fixed Coupon Amount[(s)]:  | [•] per Calculation Amount  |
|     | (iv) Broken Amount(s):   | [•] per Calculation Amount, payable on the<br>Interest Payment Date falling [in/on] [•]   |
|     | (v) Day Count Fraction:  | [30/360 / Actual/Actual (ICMA)<br>Actual/Actual (ISDA) / Actual/365 (Fixed) /<br>Actual/360 / 30E/360 / Eurobond Basis /<br>30E/360 (ISDA)] |
| 15. | <b>Reset Note Provisions</b>   | [Applicable/Not Applicable]   |
|     | (i) Initial Rate of Interest:  | [•] per cent. per annum payable in arrear [on<br>each Interest Payment Date]  |
|     | (ii) Interest Payment Date(s):   | [•] [and [•]] in each year up to and including<br>the Maturity Date   |
|     | (iii) Fixed Coupon Amount up to (but<br>excluding) the First Reset Date: | [[•] per Calculation Amount]/[Not Applicable]   |
|     | (iv) Broken Amount(s):   | [[•] per Calculation Amount payable on the<br>Interest Payment Date falling [in/on] [•] / [Not<br>Applicable]                               |
|     | (v) Reset Reference Rate:  | [Mid-Swap Rate] [and] [Reference Bond<br>Rate] [as the fallback Reset Reference Rate to<br>the Mid-Swap Rate]                               |
|     | (vi) First Reset Date:   | [•]   |

- (vii) Subsequent Reset Date(s): [•] [and [•]]
- (viii) [Mid-Swap Rate: [Single Mid-Swap Rate/Mean Mid-Swap Rate]]
- (a) [Mid-Swap Maturity: [•]]
- (b) [Mid-Swap Floating Leg Benchmark Rate: [EURIBOR/ LIBOR/[•]]
- (c) Relevant Screen Page: [•]
- (d) [First Margin: [+/-][•] per cent. per annum]
- (e) [Subsequent Margin: [[+/-][•] per cent. per annum]/[Not Applicable]]<sup>2</sup>
- (ix) [Reference Bond Rate: [Applicable]/[Not Applicable]]
- (a) [Reference Bond: [•]]
- (b) [First Margin: [+/-] [•] per cent. per annum]
- (c) [Subsequent Margin: [[+/-][•] per cent. per annum]/[Not Applicable]]<sup>3</sup>
- (x) Reference Banks: [•]
- (xi) Day Count Fraction: [30/360 / Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/360 / 30E/360 / Eurobond Basis / 30E/360(ISDA)]
- (xii) Reset Determination Dates: [[•] in each year]/[The provisions in the Conditions apply]
- (xiii) Reset Determination Time: [•]
- (xiv) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Principal Paying Agent]): [[•] shall be the Calculation Agent]
16. **Floating Rate Note Provisions** [Applicable/Not Applicable/Applicable from [•] to [•] [if so elected by the Issuer on or before [•]]]
- (i) Specified Period: [•]
- (ii) Interest Payment Dates: [•] in each year
- (iii) First Interest Payment Date: [•]
- (iv) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Modified Business Day Convention/Preceding Business Day Convention/FRN Convention/Floating Rate Convention/Eurodollar Convention/No

<sup>2</sup> For Tier 2 Capital Notes, the Subsequent Margin shall be equal to the First Margin.

<sup>3</sup> For Tier 2 Capital Notes, the Subsequent Margin shall be equal to the First Margin.

		Adjustment)/[Not Applicable]
(v)	Additional Business Centre(s):	[Not Applicable/[•]]
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(vii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Principal Paying Agent]):	[[•] shall be the Calculation Agent]
(viii)	Screen Rate Determination:	
	• Reference Rate:	[EURIBOR/LIBOR]
	• Reference Banks:	[•]
	• Interest Determination Date(s):	[•]
	• Relevant Screen Page:	[•]
	• Relevant Time:	[•]
	• Relevant Financial Centre:	[•]
(ix)	ISDA Determination:	
	• Floating Rate Option:	[•]
	• Designated Maturity:	[•]
	• Reset Date:	[•]
	• ISDA Definitions:	2006
(x)	Linear Interpolation:	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
(xi)	Margin(s):	[+/-][•] per cent. per annum
(xii)	Minimum Rate of Interest:	[•] per cent. per annum
(xiii)	Maximum Rate of Interest:	[•] per cent. per annum
(xiv)	Day Count Fraction:	[30/360 / Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/360 / 30E/360 / Eurobond Basis / 30E/360(ISDA)]
17.	<b>Zero Coupon Note Provisions</b>	[Applicable/Not Applicable]
(i)	Accrual Yield:	[•] per cent. per annum
(ii)	Reference Price:	[•]
(iii)	Day Count Fraction in relation to Early Redemption Amount:	[30/360 / Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/360 / 30E/360 / Eurobond Basis /

**PROVISIONS RELATING TO REDEMPTION**

18. **Call Option** [Applicable/Not Applicable]
- (i) Optional Redemption Date(s) (Call): [•]
- (ii) Optional Redemption Amount (Call) of each Note: [•] per Calculation Amount
- (iii) Series redeemable in part: [[Yes; [•] per cent. of the Aggregate Nominal Amount of the Notes may be redeemed on [each][the] Optional Redemption Date (Call)] / [No]]
- (iv) If redeemable in part:
- Minimum Redemption Amount: [•] per Calculation Amount
- Maximum Redemption Amount [•] per Calculation Amount
- (v) Notice period: [•] / As per the Conditions
19. **Put Option** [Applicable/Not Applicable]
- (i) Optional Redemption Date(s) (Put): [•]
- (ii) Optional Redemption Amount (Put) of each Note: [•] per Calculation Amount
- (iii) Notice period: [•] / As per the Conditions
20. **Final Redemption Amount of each Note** [•] per Calculation Amount
21. **Optional Redemption Amount (Regulatory Event)** [[•] per Calculation Amount/Not Applicable]
22. **Loss Absorption Disqualification Event Redemption of Senior Notes:** [Condition 10(e) applies/Not Applicable]
- (i) Optional Redemption Amount (Loss Absorption Disqualification Event): [[•] per Calculation Amount/Not Applicable]
23. **Early Redemption Amount (Tax)** [[•] per Calculation Amount/Not Applicable]
24. **Early Termination Amount** [[•] per Calculation Amount/Not Applicable]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

25. **Form of Notes:** **Bearer Notes:**
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes on [•] days' notice]

[Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]

**Registered Notes:**

[Unrestricted Global Note Certificate exchangeable for Unrestricted Individual Note Certificates on [•] days' notice/at any time/in the limited circumstances specified in the Unrestricted Global Note Certificate]

[and]

[Restricted Global Note Certificate exchangeable for Restricted Individual Note Certificates on [•] days' notice/at any time/in the limited circumstances specified in the Restricted Global Note Certificate]

[and]

[Restricted Global Note Certificate [(U.S.\$ [•]/Euro [•] nominal amount)] registered in the name of a nominee for [DTC].]

[Unrestricted Global Note Certificate [(U.S.\$/Euro [•] nominal amount)] registered in the name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS))].]

[Individual Note Certificates]

- |     |   |   |
|-----|---|---|
| 26. | New Global Note:  | [Yes]/[No]/[Not Applicable]   |
| 27. | New Safekeeping Structure:  | [Yes]/[No]/[Not Applicable]   |
| 28. | Additional Financial Centre(s) or other special provisions relating to payment dates:                 | [Not Applicable/[•]]  |
| 29. | Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): | [Yes/No. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left.] |

Signed on behalf of [Virgin Money Holdings (UK) plc]/[Virgin Money plc]:

By: .....  
Duly authorised

## PART B – OTHER INFORMATION

### 30. LISTING AND ADMISSION TO TRADING

(i) Admission to Trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Professional Securities Market of the London Stock Exchange with effect from [•].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Professional Securities Market of the London Stock Exchange with effect from [•].] [Not Applicable.]

(ii) Estimate of total expenses related to admission to trading: [•]

### 31. RATINGS

The Notes to be issued [have [not] been/are expected to be] rated[:

[Fitch Ratings Limited ("**Fitch**")]: [•]

[Moody's Investor Services ("**Moody's**")]: [•]

[[Other]: [•]

[Each of] [Fitch] [, Moody's] [and [•]] is established in the EEA and registered under Regulation (EU) No.1060/2009, as amended (the "**CRA Regulation**")].

### 32. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

### 33. USE OF PROCEEDS

[The proceeds of the issue will be used for general corporate purposes of the Issuer and/or the Virgin Money Group. [It is the Issuer's intention to use the proceeds of the issue of the Notes issued by it to initially make an investment in the Bank in the form of [senior debt] / [subordinated debt intended to qualify as [tier 2 capital / eligible liabilities] of the Bank]. The Issuer retains the discretion to restructure any investment made with the proceeds at any time.]/[•]

### 34. [*Fixed Rate Notes only* – YIELD

Indication of yield: [•]

[The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

### 35. OPERATIONAL INFORMATION

ISIN: [•]

CUSIP: [•]/[Not Applicable]

Common Code: [•]

[FISN: [•]]

[CFI Code: [•]]

Any clearing system(s) other than Euroclear and/or Clearstream, Luxembourg and the relevant identification number(s): [•] [Not Applicable]

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): [•]

[Intended to be held in a manner which would allow Eurosystem eligibility:

[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] /

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

36. **DISTRIBUTION**

- (i) Method of Distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated:
  - (a) Names of Dealers: [•]
  - (b) Stabilising Manager(s) (if any): [Not Applicable/[•]]
- (iii) If non-syndicated, name of Dealer: [Not Applicable/[•]]

- |      |   |  |
|------|---|--|
| (iv) | U.S. Selling Restrictions:                    | Reg. S Compliance Category 2; - [TEFRA C/TEFRA D/TEFRA not applicable] – [Not] Rule 144A Eligible  |
| (v)  | Prohibition of Sales to EEA Retail Investors: | [Applicable]/[Not Applicable, Key Information Document prepared] / [Not Applicable]  |
|      |   | <i>(If the Notes clearly do not constitute "packaged" products and no key information document may be prepared, "Not Applicable" should be specified. If the Notes may constitute "packaged" products, "Applicable" should be specified)</i> |
| (vi) | Prohibition of Sales to Belgian Consumers     | [Applicable]/[Not Applicable]  |

## **USE OF PROCEEDS**

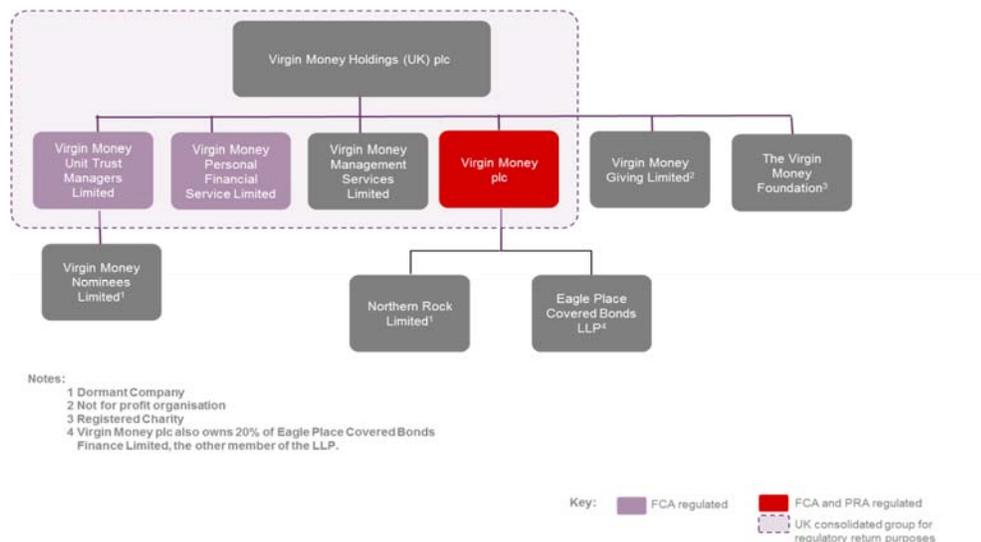
The proceeds of the issue of each Series of Notes will be used for general corporate purposes of the relevant Issuer and/or the Virgin Money Group, and may be used to strengthen further the regulatory position of the relevant Issuer, the Bank and/or the Virgin Money Group, as may be more specifically set out in the Final Terms.

## DESCRIPTION OF VIRGIN MONEY

### THE ISSUERS AND THE VIRGIN MONEY GROUP

Virgin Money Holdings (UK) plc ("**HoldCo**") and Virgin Money plc (the "**Bank**") are public limited companies registered in England and Wales, under numbers 03087587 and 06952311, respectively. HoldCo is the ultimate holding company of the Virgin Money Group and the whole of the issued ordinary share capital of the Bank is beneficially owned by HoldCo.

The chart below sets out the current structure of the Virgin Money Group.



The Virgin Money Group is primarily focused on providing residential mortgages, savings and credit cards, along with a range of financial products including investments and insurance. With over 3.34 million customers, the Virgin Money Group provides customers with direct access to its products and services through multi-channel distribution, which includes digital channels, postal, telephony and 74 stores and lounge propositions. Direct distribution is then supplemented by intermediary distribution with mortgages primarily sold through the Virgin Money Group's intermediary partners. Certain banking services are also available through any UK Post Office.

The Virgin Money Group's operations are centred in Gosforth, with additional offices in London, Edinburgh, Norwich and Chester. The monthly average number of persons (including directors) employed by the Virgin Money Group was 3,224 in 2017 (2016: 3,140).

The registered office of both Issuers is at Jubilee House, Gosforth, Newcastle upon Tyne NE3 4PL, United Kingdom. Virgin Money's internet address is [www.virginmoney.com](http://www.virginmoney.com) (it should be noted that the content of the [www.virginmoney.com](http://www.virginmoney.com) website does not form part of this Offering Circular) and its telephone number is +44 845 600 8401.

As at the date of this Offering Circular, HoldCo has been assigned a Short Term Issuer Default Rating of F2 and a Long Term Issuer Default Rating of BBB+ by Fitch and a Short Term Issuer Rating of Prime-3 and a Long Term Issuer Rating of Baa3 by Moody's.

As at the date of this Offering Circular, the Bank has been assigned a Short Term Issuer Default Rating of F2 and a Long Term Issuer Default Rating of BBB+ by Fitch and Short Term Bank Deposits and Short Term Issuer Ratings of Prime-2, Long Term Bank Deposits and Long Term Issuer Ratings of Baa2, a Baseline Credit Assessment of Baa2 and a Counterparty Risk Assessment of A3 (cr)/Prime-2(cr) by Moody's.

### HISTORY

Virgin Money was established by Virgin Direct Personal Financial Services ("**VDPFS**") in 1995, initially offering tax efficient savings in the form of Personal Equity Plans and later personal pensions, life

insurance and unit trust products and subsequently credit cards and general insurance. In 1997, VDPFS entered into a joint venture with The Royal Bank of Scotland plc ("**RBS**") to establish and operate the Virgin One Account ("**VOA**"), an innovative current account mortgage, and this business was sold to RBS in 2001. During the time that VOA was owned by RBS, VDPFS launched a credit card product in partnership with MBNA and sold its own branded life insurance business. VDPFS was subsequently rebranded as Virgin Money. In 2010, Virgin Money acquired Church House Trust, a small privately owned, regional bank which provided Virgin Money with its first UK banking licence.

Northern Rock Building Society was formed in 1965 following the merger of the Northern Counties Permanent Building Society and the Rock Building Society. It converted to a public limited company in 1997 when it was also listed on the London Stock Exchange. In 2008, it entered temporary public ownership and, on 1 January 2010, its business was separated into two entities: a new entity, Northern Rock plc, which held all of the customer retail savings and current accounts and a core portfolio of high quality performing mortgage assets, and the original entity renamed Northern Rock (Asset Management) plc and, subsequently, NRAM plc ("**NRAM**"), which retained all remaining and securitised assets and which was owned by HM Treasury through UK Asset Resolution. In addition, all branches, mortgage origination capabilities and information technology were transferred to the new Northern Rock plc.

Following the separation, Northern Rock plc carried on business as a mortgage and savings bank, primarily funded by retail deposits.

In January 2012, HoldCo acquired the entire issued share capital of Northern Rock plc from HM Treasury. As a result, Northern Rock plc became part of Virgin Money and it was renamed Virgin Money plc in October 2012.

In January 2012, the Bank (then still known as Northern Rock plc) acquired Virgin Money Cards Limited (formerly Virgin Money Limited) from HoldCo, the principal business of which was the marketing of personal credit cards and pre-paid cards which were distributed pursuant to partnership agreements with MBNA.

In July 2012, the Bank entered into a transaction to acquire a mortgage portfolio of NRAM originated loans from NRAM for a purchase consideration of £466.4 million, paid in cash.

In January 2013, the Bank completed the sale of Virgin Money Cards Limited to MBNA and the acquisition from MBNA of £1.0 billion of assets from the Virgin Money credit card portfolio. Under a transitional arrangement, up until 30 November 2014, MBNA originated new credit card accounts on Virgin Money's behalf and the Bank completed an agreement to purchase the assets. The Bank now originates its own credit cards.

In November 2014, HoldCo listed on the London Stock Exchange, via an initial public offering.

## **BOARD OF DIRECTORS**

The below table lists the directors of HoldCo and the Bank.

<b>Directors of HoldCo</b>	<b>Directors of the Bank</b>
Glen Moreno	Glen Moreno
Irene Dorner <sup>4</sup>	Irene Dorner <sup>4</sup>
Jayne-Anne Gadhia	Jayne-Anne Gadhia
Peter Bole	Peter Bole
Norman McLuskie	Marian Martin
Colin Keogh	Norman McLuskie
Patrick McCall	Colin Keogh
Geeta Gopalan	Geeta Gopalan
Eva Eisenschimmel	Eva Eisenschimmel
Darren Pope	Darren Pope
Amy Stirling	

<sup>4</sup> Chair elect until 1 April 2018.

On 25 July 2017, Virgin Money Group announced that Glen Moreno had confirmed his intention to retire from the board of directors of HoldCo and the Bank in 2018. On 15 February 2018, HoldCo and the Bank announced that Irene Dorner will be appointed as Chair Elect on 1 March 2018 and would become Chair on 1 April 2018 following Glen Moreno's retirement on 31 March 2018.

The directors' months and years of birth, dates of appointment, functions within the Virgin Money Group and principal directorships are as set out below.

<b>Name (and date of birth)</b>	<b>Date of appointment (HoldCo)</b>	<b>Date of appointment (Bank)</b>	<b>Business functions within the Virgin Money Group</b>	<b>Principal directorships</b>
Glen Moreno (July 1943)	1 January 2015	1 January 2015	Chairman and non-executive director of HoldCo and the Bank	Fidelity International Limited; Virgin Money Unit Trust Managers Limited
Irene Dorner (December 1954)	1 March 2018	1 March 2018	Chair Elect of HoldCo and the Bank	Control Risks International Limited; AXA SA; Rolls-Royce Holdings plc
Jayne-Anne Gadhia, CBE (October 1961)	12 March 2007	1 January 2012	CEO of HoldCo and the Bank	The Great Steward of Scotland's Dumfries House Trust; Virgin Money Giving Limited; Virgin Money Personal Financial Service Limited; Virgin Money Unit Trust Managers Limited; Newta Limited
Marian Martin (September 1967)	N/A	1 January 2012	CRO of HoldCo and the Bank	Virgin Money Personal Financial Service Limited; Virgin Money Unit Trust Managers Limited; Topaz Finance Limited
Peter Bole (October 1969)	25 July 2017	30 January 2017	CFO of HoldCo and the Bank	Virgin Money Personal Financial Service Limited; Virgin Money Unit Trust Managers Limited
Norman McLuskie (August 1944)	27 January 2010	1 January 2012	Senior Independent non-executive director of HoldCo and the Bank	None
Colin Keogh (July 1953)	27 January 2010	1 January 2012	Independent non-executive director of HoldCo and the Bank	Hiscox Limited; Premium Credit Limited; M&G Group Limited
Patrick McCall	22 June 2012	N/A	Non-executive	Inter City Railways

<u>Name (and date of birth)</u>	<u>Date of appointment (HoldCo)</u>	<u>Date of appointment (Bank)</u>	<u>Business functions within the Virgin Money Group</u>	<u>Principal directorships</u>
(November 1964)			director of HoldCo	Limited; Vieco 10 Limited; Virgin Active International Investments Limited; Virgin Rail Group Holdings Limited; East Coast Main Line Company Limited; Rail Delivery Group Limited; Virgin UK Holdings Limited; West Coast Partnership Limited; West Coast Trains Partnership Limited; VO Holdings, Inc
Geeta Gopalan (July 1964)	25 June 2015	25 June 2015	Independent non- executive director of HoldCo and the Bank	Ultra Electronic Holdings plc and Wizink Bank S.A.
Darren Pope (May 1965)	1 March 2017	1 March 2017	Independent non- executive director of HoldCo and the Bank	Equiniti Group plc
Eva Eisenschimmel (October 1962)	25 January 2017	25 January 2017	Independent non- executive director of HoldCo and the Bank	None
Amy Stirling (August 1969)	20 December 2017	N/A	Non-executive director of HoldCo	Barfair Limited; Classboss Limited; Virgin Management Limited; Virgin Holdings Limited; VEL Holdings Limited; Virgin.com Limited; VM Advisory Limited; Virgin UK Holdings Limited; RIT Capital Partners plc

The business addresses of the directors are:

- (a) Jubilee House, Gosforth, Newcastle upon Tyne NE3 4PL (Glen Moreno, Irene Dorner, Jayne-Anne Gadhia, Peter Bole, Marian Martin, Norman McLuskie, Colin Keogh, Eva Eisenschimmel, Darren Pope and Geeta Gopalan); and
- (b) The Battleship Building, 179 Harrow Road, London W2 6NB (Patrick McCall and Amy Stirling).

## MANAGEMENT

Whilst the HoldCo and Bank boards of directors are responsible for the strategy and policy of the Virgin Money Group, implementation of policy and day-to-day management of the Bank, as the major operating subsidiary, is delegated to the senior managers (the "**Senior Managers**"):

Name	Age	Position
Jayne-Anne Gadhia.....	56	Chief Executive Officer
Peter Bole.....	48	Chief Financial Officer
Marian Martin.....	50	Chief Risk Officer
Hugh Chater.....	57	Managing Director - Core Bank
Mark Parker.....	52	Chief Operating Officer
Matt Elliott.....	44	People Director
Michele Greene.....	52	Managing Director - Virgin Money digital bank
Andrew Emuss.....	48	General Counsel
Ken Donald.....	33	Corporate Development Director
Tim Arthur.....	47	Creative Director
Caroline Marsh.....	54	Social Enterprise Director

The business address of the Senior Managers is Jubilee House, Gosforth, Newcastle upon Tyne NE3 4PL.

There exist no potential conflicts of interest between (i) any duties owed to the Virgin Money Group by any member of the board of directors or any of the Senior Managers listed above and (ii) their private interests and/or other duties.

## STRATEGY

The Virgin Money Group corporate ambition is to make "everyone better off" ("EBO") by delivering good value to customers, treating colleagues well, making a positive contribution to society, building positive relationships with its corporate partners and delivering sustainable profits to shareholders.

In keeping with the EBO ambition, the directors of HoldCo and the Bank have agreed a strategy focused on three fundamental principles: Growth, Quality and Returns, which can be broken down as follows:

- Delivering sustainable growth;
- Maintaining a high-quality balance sheet; and
- Delivering sustainable returns to shareholders.

Virgin Money believes that its recent financial performance demonstrated strong progress against its key strategic priorities:

**Growth:** The Virgin Money Group has grown its customer base and balance sheet within its prudent risk appetite:

	31 December				
	2017	2016	2015	2014	2013
	(£ billion)				
Total assets	41.1	35.1	30.2	26.5	24.6
Mortgage balances	33.7	29.7	25.5	21.9	19.6
Credit card balances	3.0	2.4	1.6	1.1	0.8
Customer deposit balances	30.8	28.1	25.1	22.4	21.1

**Quality:** The Virgin Money Group has maintained a focus on a high-quality balance sheet:

	31 December				
	2017	2016	2015	2014	2013
	(%)	(%)	(%)	(%)	(%)
Cost of risk	0.13	0.13	0.12	0.07	0.15
Common Equity Tier 1 ratio	13.8	15.2	17.5	19.0	15.5
Total capital ratio	18.1	20.4	20.2	22.1	18.6
Leverage ratio	3.9	4.4	4.0	4.1	3.8
Loan-to-deposit ratio	119.1	114.5	107.5	102.8	96.4

**Returns:** The Virgin Money Group's focus on cost management and operational efficiency has generated improving returns:

	31 December				
	2017	2016	2015	2014	2013
Underlying total income (£ million)	666.0	586.9	523.5	438.1	365.1
Statutory total income (£ million)	662.7	581.4	521.9	438.3	383.0
Underlying profit / (loss) before tax (£ million)	273.3	213.3	160.7	104.7	43.6
Statutory profit / (loss) before tax (£ million)	262.6	194.4	138.0	34.0	185.4
Net interest margin (%)	1.57	1.60	1.65	1.50	1.26
Cost:income ratio (%)	52.3	57.2	63.5	72.5	80.1
Return on tangible equity (%)	14.0	12.4	10.9	7.4	2.6
Statutory basic earnings per share (p)	37.8	29.4	22.9	(0.4)	42.4
Underlying basic earnings per share (p)	39.8	32.7	26.8	18.5	5.6

The Virgin Money Group has continued to refresh its strategy to meet the changing needs of its customers and to navigate the wider changes in the market, and it is therefore investing in its digital future, taking advantage of the significant technological and regulatory changes shaping UK retail banking to expand its market reach within retail banking services.

In January 2018, the Bank launched an SME deposit product and plans to launch a Business Current Account.

## RECENT FINANCIAL PERFORMANCE

Based on the Virgin Money Group's audited financial information for the year ended 31 December 2017. The Virgin Money Group had total assets of £41,107.8 million, total loans and advances to customers of £36,740.2 million, total customer deposits of £30,808.4 million and total shareholder's equity of £1,824.9 million. Underlying profit before tax was £273.3 million and statutory profit before tax was £262.6 million. Underlying total income increased by 13.5 per cent. to £666.0 million and underlying costs increased 3.7 per cent. to £348.5 million. Total investment in the core business increased to £52.8 million, of which £41.8 million was capital expenditure and a further £38.3 million of capital expenditure was invested in the development of the digital banking platform. The net interest margin was 1.57 per cent. and the banking net interest margin was 1.72 per cent. The financial information in this paragraph is extracted from the audited consolidated financial statements of HoldCo for the year ended 31 December 2017.

Based on the Bank's audited financial information for the year ended 31 December 2017. The Bank had total assets of £41,018.9 million, total loans and advances of £37,099.9 million, total customer deposits of £30,808.4 million and total shareholder's equity of £1,879.2 million. Statutory profit before tax was £263.1 million. The financial information in this paragraph is extracted from the audited non-consolidated financial statements of the Bank for the year ended 31 December 2017.

## BUSINESS DESCRIPTION

The Virgin Money Group's core business is providing personal financial services to UK consumers. It operates exclusively within the UK with the exception of wholesale funding and liquidity management activities which are undertaken in both the UK and, on a limited basis, in overseas markets. The Virgin Money Group operates through three business lines:

- Mortgages, savings and current accounts;
- Credit cards; and
- Financial services including insurance, investments and pensions.

The mortgages, savings and current accounts and credit cards business are operated by the Bank with only the financial services business operated by other members of the Virgin Money Group.

## ***Business Performance***

The Virgin Money Group remains focused on providing its customers with good value, straightforward products supported by outstanding service. This was reflected in its overall net promoter score ("NPS") which increased to +40 for 2017 from +29 for 2016.

Virgin Money Group's quality of service benefitted from its multi-channel distribution which saw 78 per cent. of sales carried out through digital channels. The store network continues to play an important role for customers with a 25 per cent. increase in new accounts opened in-store year-on-year. Virgin Money Lounges complement the store network and remained a particular strength with an NPS score of +87 for 2017.

### ***Residential mortgage lending***

The Virgin Money Group's core lending activity is the provision of residential mortgages to individuals secured on residential properties located in the UK and represented 91.6 per cent. of gross loans and advances to customers as at 31 December 2017. This lending is principally to prime borrowers who are owner and occupier of the mortgaged property (81.1 per cent.), with a proportion (18.9 per cent.) being to borrowers who are landlords.

The primary distribution channel for mortgages is through intermediary partners (91 per cent. of new business in the year ended 31 December 2017) supplemented by direct distribution. The proportion of new mortgage applications from direct customers increased to 12 per cent. in the year ended 31 December 2017 from 10 per cent. in the year ended 31 December 2016, and exceeded £1 billion.

During the year ended 31 December 2017 Virgin Money continued to focus on broadening its proposition, optimising its distribution channels and improving the customer experience. Improvements in its intermediary proposition drove an increase in its intermediary NPS to +61 for 2017 from +55 for 2016.

The Virgin Money Group net mortgage balances increased 13 per cent. to £33.7 billion as at 31 December 2017 from £29.7 billion as at 31 December 2016. This increase was supported by gross lending of £8.4 billion in the year, equivalent to a 3.3 per cent. market share of gross lending for the year ended 31 December 2017.

Customer retention continued to improve in the year ended 31 December 2017 with 72 per cent. of mortgage customers with maturing fixed or tracker products choosing to remain with Virgin Money at the end of their existing deal (68 per cent. in the year ended 31 December 2016). Improving efficiency across the mortgages operation also led to a 21 per cent. increase in retained mortgages processed per full time employee.

The combined effect of new business and retention performance resulted in net lending of £3.9 billion for the year ended 31 December 2017. This represented an 8.9 per cent. market share of net lending and share of stock increased to 2.45 per cent. as at 31 December 2017 (2.23 per cent. as at 31 December 2016).

Virgin Money continued to extend its mortgage proposition to help more people onto the housing ladder and launched custom build and shared ownership products in the year ended 31 December 2017. The proportion of gross lending in the year ended 31 December 2017 to remortgage customers was 34 per cent., 28 per cent. to home movers, 20 per cent. to first time buyers and 18 per cent. to buy-to-let customers.

	<b>31 December</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<i>(£ million)</i>				
<b>Gross loans and advances to customers</b>					
Residential mortgage loans.....	27,317.2	24,283.0	21,060.3	18,759.5	17,205.8
Residential buy-to-let mortgage loans.....	6,367.3	5,468.4	4,401.9	3,135.6	2,371.3
<b>Residential mortgages total.....</b>	<b>33,684.5</b>	<b>29,751.4</b>	<b>25,462.2</b>	<b>21,895.1</b>	<b>19,577.1</b>

The weighted average indexed loan-to-value ratio ("LTV") of the Virgin Money Group's residential mortgage portfolio was 55.8 per cent. as at 31 December 2017 (55.4 per cent. as at 31 December 2016).

The weighted average indexed LTV of the Virgin Money Group's residential mortgage new lending was 68.1 per cent. in 2017 (68.0 per cent. in 2016). Only 1.3 per cent. of the Virgin Money Group's total residential mortgage book at 31 December 2017 had an indexed LTV ratio in excess of 90 per cent., based on value.

The cost of risk for mortgages was flat between 2016 and 2017 at 0.01 per cent. and the impairment charge reduced by £0.5 million to £2.2 million for the year ended 31 December 2017 (£2.7 million for the year ended 31 December 2016). Secured impairment provisions increased by £1.5 million from £10.6 million to £12.1 million as at 31 December 2017, in line with book growth, representing 0.04 per cent. as a proportion of gross balances as at 31 December 2017 and 31 December 2016.

Robust underwriting principles and credit management, aligned to the overall strategy, has resulted in strong mortgage asset quality. The Virgin Money Group has experienced a historically low loss experience in its total residential mortgage portfolio with loans over three months in arrears decreasing to 0.12 per cent. of the book as at 31 December 2017 (compared to 0.15 per cent. of the book as at 31 December 2016). The Virgin Money Group's arrears performance outperforms the industry, with the UK Finance industry average of loans more than three months in arrears as a proportion of total book, at 0.82 per cent as at 31 December 2017 (compared to 1.00 per cent. as at 31 December 2016).

### ***Retail savings***

The Bank offers a range of instant access and fixed term savings products, both available as ISAs.

The Bank is predominantly funded through customer deposits, largely originated directly through the digital channel and store network. Retail deposit balances grew 10 per cent. in the year ended 31 December 2017 to £30.8 billion (compared to £28.1 billion at 31 December 2016). With more than 1.3 million savings customers as at 31 December 2017, the Virgin Money Group took a 1.7 per cent. market share of savings stock and a 6.1 per cent. market share of cash ISA balances as at 31 December 2017. Savings performance was underpinned by strong customer retention. Virgin Money retained 89 per cent. of customers with maturing fixed rate balances in the year ended 31 December 2017 (89 per cent. in the year ended 31 December 2016) and repriced approximately £15 billion of existing deposits.

Ongoing management of retail funding costs in the context of competitive market conditions contributed to a reduction in the total cost of funds (spread) to 59 basis points in the year ended 31 December 2017 (80 basis points in the year ended 31 December 2016).

### ***Personal current accounts ("PCAs")***

As at 31 December 2017, the Bank had Virgin Money PCA balances of £415.4 million (compared to £343.6 million as at 31 December 2016), having maintained an account opening run rate at the level experienced through 2016, opening 12,000 new accounts in 2017.

The Bank had an existing current account offering and in July 2014, launched a current account, the Virgin Money Essential Current Account ("ECA"), which was rolled out nationally during 2015. The ECA product has the features of a "basic bank account".

### ***Credit cards***

The Virgin Money Group provides credit card products, predominantly online, to over 1.2 million customers. The portfolio is a mix of retail and balance transfer credit cards, offering a broad range of products covering three customer needs; debt consolidation, borrowing and everyday spending.

In the year ended 31 December 2017, customer advocacy improved with cards NPS increasing to +46 from +42 in 2016. The Virgin Money Group's underwriting criteria which have a continued focus on affordability and credit risk management resulted in 92 per cent. of the cards book being medium or low risk<sup>5</sup>, compared to 81 per cent. for the industry. In 2017 over 98 per cent. of new balance transfer customers were booked at an expected loss of less than 1 per cent. This compared with 74 per cent. of new balance transfer customers booked at an expected loss rate of less than 1 per cent. in the overall market.

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<sup>5</sup> Medium or low risk segments are those with a lower than 2.5 per cent. expected loss rate.

The prime credit card portfolio represented 8.4 per cent. of gross loans and advances to customers, with net credit card balances totalling £3.0 billion as at 31 December 2017 (compared to £2.4 billion as at 31 December 2016). Retail-led cards represented over 40 per cent. of new accounts in the year ended 31 December 2017 compared to 30 per cent. in the year ended 31 December 2016, with retail spend on cards being 41 per cent. higher than in the year ended 31 December 2016 and retail spend per card increasing by 8 per cent. in the year ended 31 December 2017.

Credit cards impairment charge was £42.0 million for the year ended 31 December 2017 (£34.8 million for the year ended 31 December 2016). The resulting cost of risk decreased by 19 basis points to 1.51 per cent. for the year ended 31 December 2017 (compared to 1.70 per cent. for the year ended 31 December 2016). Performance of new cohorts of cards remained strong with all cohorts showing a cost of risk lower than or in line with previous vintages. When credit card accounts under 18 months old are excluded, the cost of risk for the year ended 31 December 2017 remains low at 1.66 per cent.

Credit card arrears remained low, with credit card balances two or more payments in arrears of 0.88 per cent. as at 31 December 2017, compared to 0.78 per cent as at 31 December 2016, with the small increase during the year ended 31 December 2017 primarily due to expected increases in arrears levels on balances originated during 2015 and 2016 as these cohorts mature. Additionally if loss performance is lagged by 12 months, data shows that the annualised asset charge-off rate is lower than the broader industry, at 2.00 per cent as at 31 December 2017 compared to an industry level of 3.85 per cent. as at 31 December 2017 (2.28 per cent. as at 31 December 2016 compared to industry level of 3.01 per cent. as at 31 December 2016).

Credit card impaired assets increased by £10.2 million to £42.6 million during 2017 and represented 1.4 per cent. of gross unsecured loans as at 31 December 2017 (compared to 1.3 per cent. as at 31 December 2016). Impairment provisions increased by £7.8 million in the year ended 31 December 2017 but have reduced as a percentage of gross balances to 1.54 per cent. as at 31 December 2017 (1.59 per cent. as at 31 December 2016). Unsecured impairment provisions as a proportion of impaired balances decreased to 111.0 per cent. as at 31 December 2017 (compared to 121.9 per cent. as at 31 December 2016).

In 2017 Virgin Money signed a co-brand partnership to provide retail financial services to Virgin Atlantic Airways customers. This will help Virgin Money to diversify the mix of its credit card portfolio further.

### ***Financial services***

The Virgin Money Group Financial Services business line ("**Financial Services**") offers customers investment, insurance and currency products and services and the Virgin Money Group works with a number of specialist organisations to deliver these products. Financial Services contributed £37.2 million to total income in the year ended 31 December 2017 (£37.5 million in the year ended 31 December 2016) and 5.6 per cent. of total income in the year ended 31 December 2017.

In the investments business, inflows increased by 27 per cent., compared to the year ended 31 December 2016. Stocks and shares ISA sales and transfers had annual growth of 40 per cent. and 160 per cent., respectively in the year ended 31 December 2017. Funds under management increased by 9.6 per cent to £3.7 billion as at 31 December 2017.

Insurance and other income decreased by 10.3 per cent. in the year ended 31 December 2017, reflecting competitive pressure in the travel insurance market.

On 20 March 2018, HoldCo announced that it had agreed in principle with Aberdeen Standard Investments ("**ASI**") for Virgin Money Unit Trust Managers Limited to enter into a new strategic joint venture with ASI. As part of the joint venture, ASI will provide fund management services and access to its digital capability. Completion of the transaction is expected to take place by the end of 2018.

### **LIQUIDITY AND FUNDING**

The Virgin Money Group's Treasury function manages the Virgin Money Group's liquidity, funding and balance sheet risks. The Virgin Money Group does not manage Treasury as a profit centre and Treasury is not engaged in trading activities.

The Virgin Money Group focuses on maintaining a stable retail deposit base, with diversification through wholesale funding. Its loan-to-deposit ratio increased from 114.5 per cent. as at 31 December 2016 to

119.1 per cent. as at 31 December 2017, as a result of participating in the Bank of England's Term Funding Scheme ("TFS"). Risk appetite has been updated to accommodate a loan-to-deposit ratio of up to 120 per cent., while Virgin Money is participating in the TFS.

#### *Liquidity*

The Virgin Money Group maintains a portfolio of liquid assets, predominantly in high-quality unencumbered securities issued by the UK Government or other supranational entities/bodies and deposits with the Bank of England.

As at 31 December 2017, the Virgin Money Group and Issuer had total liquid assets of £5.9 billion. This included total level 1 assets of £5.2 billion, of which £1.85 billion were held in HM Treasury bills raised through the Bank of England Funding for Lending Scheme ("FLS"), £2.5 billion were held in cash and balances at central banks, £207.3 million were held in UK Government securities, and £234.1 million were held in supranational securities. Total level 2a and 2b assets and other liquidity resources for HoldCo was £97.0 million and for the Bank was £83.2 million and self-issued Residential Mortgage Backed Securities ("RMBS") amounted to a further £601.7 million.

During 2017, the Virgin Money Group maintained a liquidity position in excess of risk appetite and the regulatory minimum. The Virgin Money Group's LCR, calculated in accordance with the CRD IV requirements was 203.1 per cent. as at 31 December 2017. The LCR increased from 153.7 per cent. as at 31 December 2016 due to strong deposit raising activity, net TFS drawings made during the year ended 31 December 2017, and an RMBS issuance in September 2017, increasing high quality liquid assets.

#### *Wholesale funding*

The Virgin Money Group adopts a prudent wholesale funding strategy which is planned and controlled by a series of balance sheet metrics to limit concentration and refinancing exposures. Access to wholesale funding supplements the core retail deposit base in order to extend tenor, ensure appropriate diversification of the funding base and optimise funding costs.

Funding diversification is achieved by the use of long-term wholesale funding primarily through the RMBS market and the Virgin Money Group established this MTN Programme in 2015. As at 31 December 2017 wholesale funding totalled £8,102.9 million, including £4,236 million of Government funding through TFS.

Virgin Money has raised funding through the issuance of RMBS as set out in the table below.

<u>Date of issue</u>	<u>Principal amount sold<sup>(3)</sup></u>	<u>Issuer</u>
12 September 2014 .....	£1,388,900,000	Gosforth Funding 2014-1 plc <sup>(1)</sup>
8 June 2015 .....	£1,388,900,000	Gosforth Funding 2015-1 plc <sup>(1)</sup>
25 January 2016 .....	£1,553,158,602 <sup>(2)</sup>	Gosforth Funding 2016-1 plc <sup>(1)</sup>
9 May 2016 .....	£1,026,053,995 <sup>(2)</sup>	Gosforth Funding 2016-2 plc <sup>(1)</sup>
25 September 2017 .....	£1,151,817,734 <sup>(2)</sup>	Gosforth Funding 2017-1 plc <sup>(1)</sup>

Note:

- (1) These securities were sold primarily to raise funding although certain securities have been retained for contingent funding purposes.
- (2) GBP Equivalent.
- (3) Reflects the amount sold at the date of issue. This amount will have reduced as the RMBS amortises over the life of the transaction.

In April 2015, the Bank issued £300 million 2.25 per cent. notes due 2020 under this Global Medium Term Note programme.

In July 2014, HoldCo issued £160 million Fixed Rate Resetable Additional Tier 1 Securities and used the proceeds to repay the Non-Core Tier 1 notes held by the UK Government following the acquisition of Northern Rock plc.

In November 2016, HoldCo issued £230 million Fixed Rate Resetable Additional Tier 1 Securities, the proceeds of which were downstreamed to the Bank through the investment by Holdco in £230 million Additional Tier 1 Securities issued by the Bank.

As at 31 December 2017, the Bank had total TFS drawings of £4.2 billion and FLS drawings decreased to £2.0 billion following the repayment of £650.2 million of FLS drawings.

### **CAPITAL ADEQUACY**

The Virgin Money Group's objective with respect to its capital position is to deliver sustainable returns for shareholders while maintaining an overall quality and quantity of capital in line with its low risk profile.

The Virgin Money Group's capital position under CRD IV as at 31 December 2017:

- Common Equity Tier 1 ("CET1") ratio was 13.8 per cent.;
- Total capital ratio was 18.1 per cent.; and
- Leverage ratio was 3.9 per cent.

As at 31 December 2017 the Virgin Money Group's regulatory capital requirement was 15.0 per cent., comprising Pillar 1, Pillar 2A and capital conservation buffer. The equivalent regulatory CET1 requirement was 8.95 per cent.

The PRA sets requirements through the issuance of institution specific Individual Capital Guidance ("ICG"). Through the ICG, the PRA provides guidance on the Pillar 2A own funds requirement which is expressed as the higher of a variable component addressing additional risks faced by the Group or the Basel I floor, a transitional capital minimum requirement based on the Basel I framework.

As at 31 December 2017, as per the Group's ICG, the Basel I floor was the Group's binding constraint and was equivalent to a Pillar 2A total capital add-on requirement of 5.71 per cent of RWAs. The Basel I floor expired on 31 December 2017 and as a result the total capital requirement for the Pillar 2A add-on has since reduced to 3.87 per cent. of RWAs.

CRD IV buffers will gradually increase with the capital conservation buffer, which was set at 1.25 per cent. during 2017, rising to 1.875 per cent. on 1 January 2018, and 2.5 per cent. on 1 January 2019. Additionally, the Bank of England has advised that the countercyclical buffer will increase to 1 per cent. by the end of 2018. All macro-prudential buffers must be met by CET1 and from 1 January 2019 any applicable PRA buffer must be fully met by CET1. Any PRA buffer, if applicable, is a matter between the PRA and Virgin Money.

The Group is currently exempt from the UK Leverage Framework Regime, which only applies to institutions with retail deposit levels of £50 billion or more. In August 2016 the EBA recommended that a 3.0 per cent. minimum leverage ratio requirement should be introduced from 1 January 2018.

The Bank's capital position under CRD IV as at 31 December 2017:

- Common equity tier 1 ratio was 16.4 per cent.;
- Total capital ratio was 19.1 per cent.; and
- Leverage ratio was 4.1 per cent.

## TAXATION

*The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.*

### UNITED KINGDOM TAXATION

*The following is a summary of the UK withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. It is based on current law and the practice of Her Majesty's Revenue & Customs ("HMRC"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other UK tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. Prospective Noteholders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Final Terms may affect the tax treatment of that and other series of Notes. 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. Noteholders who may be liable to taxation in jurisdictions other than the UK in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain UK taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the UK.*

#### **United Kingdom Withholding Tax on United Kingdom Source Interest**

Any Notes issued by either of the Issuers which carry a right to interest 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 by the relevant Issuer on the Notes may be made without withholding or deduction for or on account of UK income tax.

Notes will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on a recognised stock exchange designated as such by an order made by the Commissioners for HMRC and either they are included in the UK official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the UK in which there is a recognised stock exchange.

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 UK official list and admitted to trading on the Professional Securities Market of that Exchange.

In addition to the exemption set out above, interest on the Notes which are not "regulatory capital securities" for the purposes of The Taxation of Regulatory Capital Securities Regulations 2013 (the "**2013 Regulations**") may be paid without withholding or deduction for or on account of UK income tax provided that the relevant Issuer is and continues to be a "bank" within the meaning of section 991 of the Income Tax Act 2007 and the interest on the Notes is paid in the ordinary course of its business within the meaning of section 878 of the Income Tax Act 2007.

Interest on the Notes may be paid without withholding or deduction for or on account of UK income tax if the Notes constitute "regulatory capital securities" for the purposes of the 2013 Regulations and there are no arrangements, the main purpose, or one of the main purposes, of which is to obtain a tax advantage for any person as a result of the application of the 2013 Regulations in respect of the Notes.

A Note will constitute a "regulatory capital security" for the purposes of the 2013 Regulations if the Note qualifies, or has qualified, as a Tier 2 instrument under Article 63 of the Commission Regulation (EU) No. 575/2013 and forms, or formed, a component of Tier 2 capital for the purposes of Commission Regulation (EU) No 575/2013.

In all cases falling outside the exemptions described above, interest on the Notes may fall to be paid under deduction of UK income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available. However, such withholding or deduction will not apply if the relevant interest is paid on Notes with a maturity of less than one year from the date of issue and which are not issued under arrangements the intention or effect of which is, to render such Notes part of a borrowing with a total term of a year or more.

#### **Other Rules Relating to UK Withholding Tax**

Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element of such Notes will not generally be subject to any UK withholding tax pursuant to the provisions mentioned above.

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

Where interest has been paid under deduction of UK income tax, Noteholders who are not resident in the UK may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "interest" above mean "interest" as understood in UK tax law. The statements 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. Where a payment on a Note does not constitute (or is not treated as) interest for UK tax purposes, and the payment has a UK source, it would potentially be subject to UK withholding tax if, for example, it constitutes (or is treated as) an annual payment or a manufactured payment for UK tax purposes (which will be determined by, amongst other things, the terms and conditions specified by the Final Terms of the Note). In such a case, the payment may fall to be made under deduction of UK tax (the rate of withholding depending on the nature of the payment), subject to such relief as may be available.

The above description of the UK withholding tax position assumes that there will be no substitution of either of the Issuers as issuer pursuant to Condition 18 (*Meetings of Noteholders; Modification and Waiver; Substitution*) of the Notes or otherwise and does not consider the tax consequences of any such substitution.

#### **FINANCIAL TRANSACTIONS TAX**

On 14 February 2013, the European Commission issued proposals, including a draft Directive (the "**Commission's proposal**") for a financial transaction tax ("**FTT**") to be adopted in certain participating EU member states (including Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia). However, Estonia has since stated that it will not participate. If the Commission's proposal was adopted, the FTT would be a tax primarily on "financial institutions" (which would include the Issuers) in relation to "financial transactions" (which would include the conclusion or modification of derivative contracts and the purchase and sale of financial instruments).

Under the Commission's proposal, the FTT would apply to persons both within and outside of the participating member states. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating member state. A financial institution may be, or be deemed to be, "established" in a participating member state in a broad range of circumstances, including (i) by transacting with a person established in a participating member state or (ii) where the financial instrument which is subject to the financial transaction is issued in a participating member state.

The FTT may give rise to tax liabilities for the Issuers with respect to certain transactions if it is adopted based on the Commission's proposal. Examples of such transactions are the conclusion of a derivative contract in the context of the Issuers' hedging arrangements or the purchase or sale of Notes. Any such tax

liabilities may reduce amounts available to the Issuer to meet its obligations under the Notes, which may result in Noteholders receiving less than expected in respect of the Notes. It should also be noted that the FTT could be payable in relation to relevant transactions by investors in respect of the Notes (including secondary market transactions) if conditions for a charge to arise are satisfied and the FTT is adopted based on the Commission's proposal. Primary market transactions referred to in Article 5(c) of Regulation EC No 1287/2006 are expected to be exempt. There is however some uncertainty in relation to the intended scope of this exemption for certain money market instruments and structured issues.

However, the FTT proposal remains subject to negotiation between the participating member states. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU member states may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

Notes may be sold from time to time by either of the Issuers to any one or more of Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, HSBC Bank plc, Lloyds Bank plc, Merrill Lynch International, Morgan Stanley & Co. International plc and The Royal Bank of Scotland plc (trading as NatWest Markets) (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by either of the Issuers to, and subscribed by, Dealers are set out in a Dealer Agreement dated 28 March 2018 (the "**Dealer Agreement**") and made between the Issuers and the Dealers. If in the case of any Tranche of Notes the method of distribution is an agreement between the relevant Issuer and a single Dealer for that Tranche to be issued by such Issuer and subscribed by that Dealer, the method of distribution will be described in the relevant Final Terms as "Non-Syndicated" and the name of that Dealer and any other interest of that Dealer which is material to the issue of that Tranche beyond the fact of the appointment of that Dealer will be set out in the relevant Final Terms. If in the case of any Tranche of Notes the method of distribution is an agreement between the relevant Issuer and more than one Dealer for that Tranche to be issued by such Issuer and subscribed by those Dealers, the method of distribution will be described in the relevant Final Terms as "Syndicated" and the names of those Dealers and any other interests of any of those Dealers which are material to the issue of that Tranche beyond the fact of the appointment of those Dealers (including whether any of those Dealers has also been appointed to act as Stabilising Manager in relation to that Tranche) will be set out in the relevant Final Terms.

Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be subscribed by the Dealer(s) and the commissions or other agreed deductibles (if any) payable or allowable by the relevant Issuer in respect of such subscription. The Dealer Agreement provides that the obligation of any Dealer to subscribe for Notes under any such agreement is subject to certain conditions and that, in certain circumstances, a Dealer shall be entitled to be released and discharged from its obligations under any such agreement prior to the issue of the relevant Notes. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

**United States of America:** *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

**The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.**

**Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended (the "Code"), and regulations thereunder.**

Unless the Final Terms relating to one or more Tranches of Bearer Notes specifies that the applicable TEFRA exemption is either "TEFRA C Rules" or "not applicable", each Dealer represents and agrees in relation to each Tranche of Notes in bearer form (and each additional Dealer named in the Final Terms will be required to represent and agree) that in addition to the relevant U.S. Selling Restrictions set forth below:

- (a) except to the extent permitted under U.S. Treasury Regulations section 1.163 5(c)(2)(i)(D) (or any successor rules in substantially the same form) (the "**TEFRA D Rules**"), (i) it has not offered or sold, and during a 40 day restricted period it will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a U.S. person and (ii) it has not delivered and shall not deliver within the United States or its possessions definitive Notes in bearer form during the restricted period;
- (b) it has and throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United

States or its possessions or to a U.S. person (except to the extent permitted under the TEFRA D Rules);

- (c) if it is a U.S. person, it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance, and if it retains Notes in bearer form for its own account, it will do so in accordance with the requirements of the TEFRA D Rules;
- (d) with respect to each affiliate that acquires Notes in bearer form from the Dealer for the purpose of offering or selling such Notes during the restricted period, the Dealer either repeats and confirms the representations and agreements contained in paragraphs (a), (b) and (c) above on such affiliate's behalf or agrees that it will obtain from such affiliate for the benefit of the relevant Issuer the representations and agreements contained in such paragraphs; and
- (e) it shall obtain for the benefit of the relevant Issuer the representations, undertakings and agreements contained in sub-clauses (a), (b), (c) and (d) of this paragraph from any person other than its affiliate with whom it enters into a written contract, (a "distributor" as defined in U.S. Treasury Regulation section 1.163-5(c)(2)(i)(D)(4)), for the offer or sale during the restricted period of the Notes.

Terms used in this section shall have the meanings given to them by the Internal Revenue Code and the regulations thereunder, including the TEFRA D Rules.

Where the rules under U.S. Treasury Regulations section 1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form) (the "**TEFRA C Rules**") are specified in the relevant Final Terms as being applicable in relation to any Notes, the Notes must, in connection with their original issuance, be issued and delivered outside the United States and its possessions and, accordingly, each Dealer has represented and agreed (and each additional Dealer named in the Final Terms will be required to represent and agree) that, in connection with the original issuance of the Notes:

- (a) it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Notes within the United States or its possessions; and
- (b) it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such Dealer or such prospective purchaser is within the United States or its possessions and will not otherwise involve the United States office of such Dealer in the offer and sale of Notes.

Each Dealer has represented and agreed that and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Dealer Agreement, it has not offered, sold or in the case of Bearer Notes delivered and will not offer, sell or in the case of Bearer Notes deliver the Notes (i) as part of their distribution at any time, or (ii) otherwise until 40 days after completion of the distribution of an identifiable tranche of which such Notes are a part as determined and certified to the Principal Paying Agent by such Dealer (or in the case of a sale of an identifiable tranche of Notes to or through more than one Dealer, by such Dealers with respect to the Notes of an identifiable tranche purchased by or through it, in which case the Principal Paying Agent shall notify each Dealer once all Dealers have so certified), only in accordance with Rule 903 of Regulation S under the Securities Act, Rule 144A or any other available exemption from registration under the Securities Act. Accordingly, 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. Each Dealer also agrees that, at or prior to confirmation of a sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which it sells Notes during the distribution compliance period other than resales pursuant to Rule 144A relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. In addition, until 40 days after the commencement of the offering of any identifiable Tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such Tranche of Notes) may violate the registration requirements of the Securities Act if such sale is made otherwise than in accordance with Rule 144A. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non U.S. persons in reliance on Regulation S. Notwithstanding the foregoing, Dealers nominated by the relevant Issuer may arrange, through their U.S.-registered broker dealer affiliates, for the offer and resale of Registered Notes to QIBs in the United States pursuant to Rule 144A. Each purchaser of such Notes is hereby notified that the offer and sale of such Notes may be made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A.

This Offering Circular has been prepared by the Issuers for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States. The Issuers and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States or to any U.S. person, other than any qualified institutional buyer within the meaning of Rule 144A to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. Distribution of this Offering Circular by any non-U.S. person outside the United States or by any qualified institutional buyer in the United States to any U.S. person or to any other person within the United States, other than any qualified institutional buyer and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuers of any of its contents to any such U.S. person or other person within the United States, other than any qualified institutional buyer and those persons, if any, retained to advise such non- U.S. person or qualified institutional buyer, is prohibited.

#### **Prohibition of Sales to EEA Retail Investors**

Unless the applicable Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", or "Not Applicable, Key Information Document prepared" each Dealer has represented and agreed, and each further Dealer appointed under the Programme will represent and agree that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the applicable Final Terms in relation thereto 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:

- (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 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

#### **United Kingdom**

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) *No deposit-taking*: in relation to any Notes issued by HoldCo having a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
  - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
    - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by HoldCo;

- (b) *Financial promotion*: 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, or in the case of the Bank, would not, if it was not an authorised person, apply to the relevant Issuer; and
- (c) General compliance: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

### **Belgium**

Other than in respect of Notes for which "Prohibition of Sales to Belgian Consumers" is specified as "Not Applicable" in the applicable Final Terms, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a "**Belgian Consumer**"), and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a 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 resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended), except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

### **General**

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Offering Circular, any Final Terms, any Drawdown Offering Circular or any related offering material, in all cases at its own expense. Other persons into whose hands this Offering Circular, any Final Terms or any Drawdown Offering Circular comes are required by the Issuers and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Offering Circular, any Final Terms, any Drawdown Offering Circular or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the relevant Issuer. Any such supplement or modification may be set out in a supplement to this Offering Circular or in a Drawdown Offering Circular.

## TRANSFER RESTRICTIONS

### Regulation S Notes

Each purchaser of Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Offering Circular and the Notes, will be deemed to have represented, agreed and acknowledged that:

- (a) it is, or at the time Notes are purchased will be, the beneficial owner of such Notes and:
  - (i) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S); and
  - (ii) it is not an affiliate of the relevant Issuer or a person acting on behalf of such an affiliate;
- (b) it understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period (as defined in Regulation S), it will not offer, sell, pledge or otherwise transfer such Notes except:
  - (i) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; or
  - (ii) to the relevant Issuer; or
  - (iii) in the case of Unrestricted Registered Notes only, in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB,in each case in accordance with any applicable securities laws of any State of the United States;
- (c) it understands that the Issuers, the Trustee, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements; and
- (d) it understands that any Bearer Notes, the Unrestricted Global Note Certificate and any unrestricted Individual Note Certificate, unless otherwise determined by the relevant Issuer in accordance with applicable law, will bear a legend to the following effect:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT."

On or prior to the fortieth day after the relevant issue date, Notes represented by an interest in an Unrestricted Global Note Certificate may be transferred to a person who wishes to hold such Notes in the form of an interest in a Restricted Global Note Certificate only upon receipt by the Registrar of a written certification from the transferor (in the form set out in Schedule 5 (*Form of Transfer Certificate*) to the Trust Deed) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. After such fortieth day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Global Note Certificate, as described above under "*Forms of the Notes*".

Notes represented by an interest in a Restricted Global Note Certificate may also be transferred to a person who wishes to hold such Notes in the form of an interest in an Unrestricted Global Note

Certificate, but only upon receipt by the Registrar of a written certification from the transferor (in the form set out in Schedule 5 (*Form of Transfer Certificate*) to the Trust Deed) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Any interest in a Note represented by an Unrestricted Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in a Note represented by a Restricted Global Note Certificate will, upon transfer, cease to be an interest in a Note represented by an Unrestricted Global Note Certificate and become an interest in a Note represented by a Restricted Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Notes represented by a Restricted Global Note Certificate.

#### **Rule 144A Notes**

Each purchaser of Notes within the United States pursuant to Rule 144A, by accepting delivery of this Offering Circular, will be deemed to have represented, agreed and acknowledged as follows (terms used in the following paragraphs that are defined in Rule 144A have the respective meanings given to them in Rule 144A):

- (a) the purchaser is (a) a QIB, (b) acquiring the Notes for its own account or for the account of one or more QIBs, (c) not formed for the purpose of investing in the Notes or the relevant Issuer and (d) is aware, and each beneficial owner of such Notes has been advised that the sale of the Notes to it is being made in reliance on Rule 144A;
- (b) the purchaser understands that (1) the Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), (d) pursuant to an effective registration statement under the Securities Act or (e) to HoldCo or the Bank or any of their respective affiliates, in each case in accordance with any applicable securities laws of any State of the United States and (2) it will, and each subsequent holder of the Restricted Registered Notes is required to, notify any purchaser of the Restricted Registered Notes from it of the resale restrictions applicable to the Restricted Registered Notes;
- (c) the purchaser understands that the Restricted Global Note Certificate and any restricted Individual Note Certificate (a "**Restricted Individual Note Certificate**") will bear a legend to the following effect, unless the relevant Issuer determines otherwise in accordance with applicable law:

THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (4) TO THE ISSUER OR ITS AFFILIATES.

- (d) if it is acquiring any Notes for the account of one or more QIBs the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and
- (e) the purchaser understands that the relevant Issuer, the Trustee, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Upon the transfer, exchange or replacement of a Restricted Global Note Certificate or a Restricted Individual Note Certificate, or upon specific request for removal of the legend, the relevant Issuer will deliver only a Restricted Global Note Certificate or one or more Restricted Individual Note Certificates that bear such legend or will refuse to remove such legend, unless there is delivered to the relevant Issuer and the Registrar such satisfactory evidence (which may include a legal opinion) as may reasonably be required by the relevant Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Any interest in a Restricted Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note Certificate will, upon transfer, cease to be an interest in a Restricted Global Note Certificate and become an interest in an Unrestricted Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in an Unrestricted Global Note Certificate.

**Prospective purchasers that are QIBs are hereby notified that sellers of the Restricted Registered Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.**

## GENERAL INFORMATION

### Authorisation

The update of the Programme was authorised by resolutions of the board of directors of HoldCo and the Bank passed on 25 February 2016 and resolutions of the Asset and Liability Committee of the board of directors of HoldCo and the Bank passed on 14 March 2016 and 14 February 2018. Each Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme and each Issuer will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

### Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which either of the Issuers is aware), which may have, or have had during the 12 months prior to the date of this Offering Circular, a significant effect on the financial position or profitability of HoldCo, the Bank, the Bank Group and/or the Virgin Money Group.

### Significant/Material Change

Since 31 December 2017, there has been no material adverse change in the prospects of HoldCo or the Bank nor any significant change in the financial or trading position of the Virgin Money Group or the Bank Group.

### Auditors

The HoldCo Financial Statements and the audited and unconsolidated financial statements (including the auditor's report thereon and notes thereto) of the Bank in respect of the years ended 31 December 2017 and 31 December 2016 have been audited without qualification by PricewaterhouseCoopers LLP, chartered accountants (a member of the Institute of Chartered Accountants in England and Wales).

### Documents on Display

Copies of the following documents may be inspected during normal business hours at the registered office of the Issuers at Jubilee House, Gosforth, Newcastle upon Tyne NE3 4PL, United Kingdom and at the specified office of the Principal Paying Agent at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom, for 12 months from the date of this Offering Circular:

- (a) the articles of association of each Issuer;
- (b) the HoldCo Financial Statements;
- (c) 2017 Annual Report and Accounts;
- (d) the Bank Financial Statements;
- (e) the Trust Deed (which contains the forms of Notes in global and definitive form); and
- (f) the Agency Agreement.

### Clearing of the Notes

The Notes may be accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg. The appropriate common code and/or the International Securities Identification Number (ISIN) and/or the Committee on Uniform Security Identification Procedures (CUSIP) Number in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of The Depository Trust Company is 55 Water Street, New York, NY10041-0099, U.S.A.

**Legal Entity Identifier**

The Legal Entity Identifier (LEI) code of HoldCo is 213800TAU9ZX2WZNCO64.

The Legal Entity Identifier (LEI) code of Bank is 213800NISCV8CQI6LW27.

**Issue Price and Yield**

Notes may be issued at any price. The issue price of each Tranche of Notes to be issued under the Programme will be determined by the relevant Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions. In the case of different Tranches of a Series of Notes, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche. The yield of each Tranche of Notes set out in the applicable Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

**Dealers Transacting with the Issuers**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuers and their affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuers and their affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of an Issuer or an Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuers routinely hedge their credit exposure to the Issuers consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## REGISTERED OFFICES OF THE ISSUERS

### **Virgin Money Holdings (UK) plc**

Jubilee House  
Gosforth  
Newcastle upon Tyne NE3 4PL  
United Kingdom

### **Virgin Money plc**

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Newcastle upon Tyne NE3 4PL  
United Kingdom

## ARRANGER

### **Barclays Bank PLC**

5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

## DEALERS

### **Barclays Bank PLC**

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United Kingdom

### **BNP Paribas**

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### **Citigroup Global Markets Limited**

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### **Deutsche Bank AG, London Branch**

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United Kingdom

### **HSBC Bank plc**

8 Canada Square  
London E14 5HQ  
United Kingdom

### **Lloyds Bank plc**

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London EC2V 7AE  
United Kingdom

### **Merrill Lynch International**

2 King Edward Street  
London EC1A 1HQ  
United Kingdom

### **Morgan Stanley & Co. International plc**

25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

### **The Royal Bank of Scotland plc (trading as NatWest Markets)**

250 Bishopsgate  
London EC2M 4AA  
United Kingdom

## TRUSTEE

### **Citicorp Trustee Company Limited**

Citigroup Centre  
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United Kingdom

**REGISTRAR**

**Citibank, N.A., London Branch**

Citigroup Centre  
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Canary Wharf  
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United Kingdom

**PRINCIPAL PAYING AGENT**

**Citibank, N.A., London Branch**

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**PAYING AGENT AND TRANSFER AGENT**

**Citibank, N.A., London Branch**

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*To the Dealers and to the Trustee:*

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