

WEST BROMWICH BUILDING SOCIETY

Core Capital Deferred Shares

Q&A

*This Q&A is provided to assist holders of West Bromwich Building Society's (the **Society**) Core Capital Deferred Shares (the **CCDS**) in understanding certain of their rights under the terms of the CCDS. This Q&A does not purport to, and does not, contain a full description of the CCDS and all rights attaching thereto, and it must be read together with the full Conditions of Issue of the CCDS which are available on the Society's website.*

1. Where can I find information concerning my rights under the CCDS?

The Conditions of Issue of the CCDS (as amended from time to time, the **Conditions**) are contained in the Listing Particulars which are available on the Society's CCDS website at:

<https://www.westbrom.co.uk/about-us/financial-information/core-capital-deferred-shares>

In addition to the CCDS Conditions, the Listing Particulars also contain detailed information with respect to the Society and, under "*Part I – Risk Factors*", set out a number of risks associated with an investment in the CCDS. It should be noted that the information contained in the Listing Particulars was prepared as at the date of the Listing Particulars (10 April 2018), and the Listing Particulars have not been, and will not be, updated for subsequent developments.

The Listing Particulars also set out restrictions on the offer and sale of the CCDS, including that the CCDS are not intended by the Society to be offered or sold to retail investors – see the section headed "*Restrictions on Marketing and Sales to Retail Investors*".

The CCDS website also contains certain further summary information with respect to the CCDS.

2. When were the CCDS issued? Have the Conditions been amended since then?

The Society's CCDS were issued on 12 April 2018, on the Conditions of Issue set out in the Listing Particulars dated 10 April 2018 (available on the Society's CCDS website, at the link contained under Question 1 above). The CCDS Conditions have not been amended subsequently.

For further information regarding the Society's right to amend the Conditions in the future, see Question 5 below.

3. Can the CCDS be redeemed or cancelled without CCDS holders' consent?

The CCDS have no scheduled maturity date, and the Society has neither an obligation nor any right to redeem or cancel CCDS without holder consent. CCDS holders do not have any right to require the Society to redeem, purchase or cancel the CCDS.

The Society may, by agreement with a CCDS holder, purchase CCDS from such holder at any time (subject to approval, or no objection within a set period, from the Prudential Regulation Authority and compliance with prevailing prudential rules). Any such purchase would be on terms – including as to price – agreed between the Society and the relevant CCDS holder. CCDS so purchased may, at the option of the Society, be held, re-issued and/or re-sold or surrendered for cancellation.

The Society has no other redemption rights under the Conditions or under building societies law, including that there is no provision under the Building Societies Act for a reduction of capital that

would permit the Society to redeem the CCDS at its option (with or without the approval of a court) in circumstances other than those set out in the preceding paragraphs.

For information regarding the rights of CCDS holders in a winding-up or dissolution of the Society, or on a transfer of its business, please see Question 4 below.

4. What are my rights as a CCDS holder in a winding-up of the Society or transfer of its business?

The Conditions specify what would happen to the CCDS in a winding-up or dissolution, including if the Society's business is transferred as a going concern to another entity.

On the winding-up or dissolution of the Society *other than* as part of a transfer of the Society's business to another entity as a going concern, the rights of holders of CCDS then outstanding to participate in the winding-up or dissolution are limited to:

- (1) a deeply subordinated claim (behind all other creditors of the Society) for any distributions which have been declared and are unconditional but which remain unpaid; and
- (2) an entitlement to share, to the extent and in the manner provided in Condition 4, in the surplus assets (if any) of the Society remaining (**Surplus**) following payment of all amounts in respect of liabilities of the Society. Such entitlement will be calculated by reference to the Core Capital Contribution Proportion (**CCCP**) at the time of winding-up, subject to a cap equal to the Average Principal Amount (**APA**).

The initial CCCP and APA were calculated upon issue of the CCDS, and will be re-calculated in the event of any future issues or cancellations of CCDS, and in the event of a winding-up or dissolution of the Society. These recalculations could result in a decrease or increase in the CCCP and APA, depending upon the circumstances. The prevailing CCCP and APA from time to time are set out on the Society's CCDS website, at the link contained under Question 1 above.

Investors in CCDS should note that the claims described above in respect of CCDS rank behind the claims of all other creditors of the Society, and in the event of a winding-up or dissolution of the Society, there is a significant risk that the assets of the Society would be insufficient to support any return of capital to CCDS holders.

On the Society's amalgamation with, or transfer of engagements to, another building society, the CCDS would become deferred shares in the successor society, in accordance with Condition 10.1.

On a transfer of the Society's business to a company, the CCDS would become a subordinated deposit which would be immediately and automatically applied in the subscription of ordinary shares of the successor (or, if appropriate, a direct or indirect parent company of the successor), in accordance with Condition 10.2.

5. Can the Society change the rights attaching to the CCDS without the consent of the holders?

The Society may vary the Conditions unilaterally only if there has been a change in the regulatory classification of the CCDS such that the CCDS (or any part of them) are, or are likely to be, excluded from the Society's common equity tier 1 capital. In such case the Society may, subject to regulatory consent and compliance with the prevailing prudential rules, vary the terms of the CCDS so that they remain or (as the case may be) become capable of qualifying in full as common equity tier 1 capital of the Society, provided that the terms of the CCDS, as so varied, are not materially less favourable to the CCDS holders (as reasonably determined by the Society in good faith in

consultation with an independent adviser). Such change will be notified to CCDS holders not less than 30, nor more than 90, days prior to the variation.

Except as stated above, the Society does not have the right to vary rights attaching to the CCDS without the consent of the holders of the CCDS. In accordance with Condition 11, the Society is permitted to change the Conditions with the consent of holders representing in aggregate not less than three-quarters of the CCDS outstanding at that time, or with the approval of CCDS holders given by way of a resolution passed at a separate class meeting of the CCDS holders, each in accordance with Condition 12. If the requisite majorities of CCDS holders, as specified in Condition 12, provide their consent to a change in the rights attaching to the CCDS, all CCDS holders will be bound by that change (including CCDS holders who did not provide their consent or who voted against that change).

As provided in Condition 11, the Conditions do not limit the rights of the members of the Society to amend the Rules. Under Condition 11.3, the Society undertakes not to initiate any amendment to the Rules that is both (a) inconsistent with the provisions of the CCDS Conditions and (b) materially prejudicial to the interests of the CCDS holders (in their capacity as CCDS holders).

If, however, the members (or, in breach of its undertaking under Condition 11.3, the Society) were to initiate such a change in the Rules, it is possible that the Rules could be amended in a manner which is inconsistent with the CCDS Conditions and which is materially prejudicial to the interests of CCDS holders (in their capacity as CCDS holders). If any such changes were made to the Rules, or if any resolution were passed by members, in such circumstances (and unless such changes or resolution were approved by the CCDS holders in accordance with Condition 12), the CCDS Conditions provide that the change in Rules or resolution of members shall not limit the rights of CCDS holders to claim against the Society for a breach of contract, nor afford the Society any defence to any such claim.

6. I am a holder of CCDS. Am I entitled to vote at the Society's Annual General Meeting?

In practice, holders of CCDS will not be eligible to vote at the Society's Annual General Meeting as a result of their holding.

Whilst each person named on the CCDS register (a **Registered Holder**) will be a member of the Society and will be entitled to one vote at the Annual General Meeting of members of the Society in accordance with the Society's Rules (regardless of the number of CCDS such person is registered as holding), for as long as the CCDS are held through the clearing systems (which is expected to remain the case indefinitely), the only Registered Holder - for all of the CCDS issued - will be a nominee. Accordingly, the nominee shall have one vote (regardless of the number of CCDS held by it as nominee) on a resolution at any general meeting of the Society or in a ballot.

Given the difficulty of casting the single vote in a manner which reflects the views of all investors holding CCDS through the clearing systems and the relative insignificance of that vote in the context of all the votes which may be cast by members of the Society, the nominee has informed the Society that it does not intend to exercise its vote insofar as such vote relates to its holding of CCDS.

7. Do the CCDS pay interest?

The CCDS do not pay interest. As set out in Condition 5, the Board may elect, in its sole discretion, to declare distributions from time to time. However, the Board is under no obligation to declare distributions, and there will be no default if the Board elects not to declare any distributions. The prudential rules applicable in the United Kingdom also restrict the ability of the Board to declare distributions in certain circumstances. Accordingly, there can be no assurance that distributions will be paid on the CCDS.

If the Board does elect to declare a distribution on the CCDS at any time, the amount of that distribution will (subject to the prudential rules) be entirely within the discretion of the Board, subject to a cap (the **Cap**) provided for in the Rules of the Society. The Cap is expected to be adjusted for inflation annually, as provided in the Rules.

The Society maintains a distribution policy in relation to the CCDS. The distribution policy, and the prevailing Cap, are available on the Society's CCDS website (available at the link contained under Question 1 above). It should be noted that the purpose of the Cap is to prohibit the Board from declaring distributions above the Cap, and is not (and should not be taken to be) an indication of future distributions. The distribution policy sets out the Board's indicative policy with respect to future distribution payments, but it should be noted that the distribution policy is indicative only, and does not oblige the Board to declare distributions. The Board has full discretion to amend the distribution policy, or to depart from it, at any time.

***Disclaimer:** This Q&A is not intended as, and must not be taken to be, investment, financial, legal, accounting, tax or any other advice or any recommendation to acquire, hold or dispose of any CCDS. CCDS are a complex investment and will not be suitable for all investors. An investment in CCDS involves significant risk. CCDS holders, or prospective investors in CCDS, should ensure they fully understand the risks and benefits associated with an investment in CCDS and should seek their own professional investment, legal, accounting, tax, financial or other advice as they consider appropriate.*

This Q&A was most recently reviewed by the Society on 18th May 2018. Please note that information contained in this Q&A may have been superseded after this date.