

24 November 2021

Core Capital Deferred Shares – Distribution Policy

This is the Board's distribution policy relating to the payment of periodic investment returns ("Distributions") from time to time in respect of the Society's Core Capital Deferred Shares ("CCDS"), which are deferred share (core capital) investments for the purposes of the Rules of the Society.

When determining the interim or final Distributions (if any) to be declared in respect of the CCDS in respect of any given financial year, the Board will have regard to all relevant factors which it considers to be appropriate, including:

- the profitability of the Society and its resources available for distribution;
- the outlook for the Society's business, its short-term and long-term viability and the impact on the Society of the macro-economic environment in the UK, including inflation;
- the capital and liquidity position of the Society at the time of declaring the Distribution;
- the value to the Society of the capital provided by CCDS holders and rewarding investment in the capital of the Society in a commercially responsible manner, having regard to the risks inherent in such investments and the Society's need to maintain access to capital in the future;
- the benefits received by other members of the Society through the operation of the Society's business in accordance with the principles of mutuality; and
- the Cap on Distributions under the Society's Rules,

and subject always to applicable law and regulation and the following overriding fiduciary duties and principles:

- the duty of the directors to act in the best interests of the Society;
- the duty of the directors to have due regard to the interests of all categories of member, both current and future, of the Society; and
- the principles of mutuality that apply by virtue of being a building society.

In line with the Society's market announcement published in November 2021 the current intention of the Board is to target future Distributions in line with those originally anticipated when the Policy was set in April 2018:

- in respect of the financial year ended 31 March 2022, an Interim Distribution of £1.50 per CCDS and a Final Distribution of £1.50 per CCDS;
- in respect of the financial year ended 31 March 2023, an Interim Distribution of £2.25 per CCDS and a Final Distribution of £2.25 per CCDS.

The Board currently intends, under normal circumstances, to adopt a stable distribution policy after the financial year ended 31 March 2023, and therefore expects that the Distribution level indicated above for the financial year ended 31 March 2023 would be appropriate for subsequent years, subject to the Society's then-current and anticipated financial position being viewed as satisfactory and any other factors considered by the Board to be relevant.

The indications stated above are not binding on the Society and the Board will have absolute discretion (subject to applicable law and regulation) whether or not to declare any interim or final Distribution in respect of any financial year and, if any such Distribution is declared, the amount of such Distribution. Accordingly, in respect of any given financial year, the Board may elect not to declare any Distributions, or may declare an interim and/or a final Distribution, and any such Distribution may be higher (subject to the Cap) or lower than the indications stated above. Further, the Board may amend its Distribution Policy at any time.