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REGULATORY NEWS ANNOUNCEMENT

FOR IMMEDIATE RELEASE
13 DECEMBER 2017

WEST BROMWICH BUILDING SOCIETY
PLANNED LIABILITY MANAGEMENT EXERCISE

This announcement contains inside information.

West Bromwich Building Society (the "**Society**") is pleased to announce plans for a liability management exercise (the "**Liability Management Exercise**" or "**LME**") in relation to its 3,650 Profit Participating Deferred Shares (the "**PPDS**") and its £75 million 6.15 per cent. Permanent Interest Bearing Shares (the "**PIBS**").

Summary

- Society's capital position to be secured, allowing our existing lending plans to continue unchanged

- Binding commitments received from holders representing approximately 75.5 per cent. of the PPDS and 49.7 per cent. of the PIBS with respect to the plans set out in this announcement

- Society's capital structure to be modernised through issues of Core Capital Deferred Shares (the "**CCDS**") and 11 per cent. Tier 2 subordinated notes (the "**Tier 2 Notes**")

- Institutional holders of PPDS to be invited to exchange their holdings for a combination of CCDS, Tier 2 Notes and cash on expected terms outlined further below

- Institutional holders of PIBS to be invited to exchange their holdings for a combination of CCDS and cash on expected terms outlined further below

- Retail holders of PIBS to be invited to tender their holdings for cash on expected terms outlined further below

- Resolutions to be proposed to holders of the PPDS and the PIBS to enable the Society, amongst other things, to effect mandatorily the exchange of any remaining PPDS for CCDS, Tier 2 Notes and cash, on substantially the same economic terms as the terms of the PPDS exchange offer

- LME expected to be launched in the first half of 2018, subject to necessary consents and approvals of the Prudential Regulation Authority (the "**PRA**") and following preparation of the detailed offer documentation and listing particulars

- Upon successful conclusion of the LME and assuming only those PIBS holders from whom binding commitments have been received by the Society participate in the LME, on an indicative basis, the Society's common equity tier 1 ("**CET1**") ratio is expected to decrease by approximately 0.4 percentage points to 13.7 per cent., its total capital ratio (with full impact of CRD IV implementation) is expected to increase by approximately 0.4 percentage points to 15.2 per cent. and Member Reserves are expected to increase by approximately £42 million.

The PRA has accepted the plan for the LME, including the core commercial terms for the transaction summarised in this announcement. Implementation of the LME is subject to regulatory approvals once the Society has made the formal submissions required under applicable prudential rules for transactions of this nature, including in respect of the proposed modifications to the terms of the PPDS and the PIBS, their purchase and exchange pursuant to the LME and the issuance of the new CCDS and Tier 2 Notes.

Background

In February 2017, the Society announced that it was seeking clarification from the European Banking Authority ("**EBA**") in relation to the eligibility of its PPDS as CET1 capital, following an investor challenge. The Society has not yet received clarification from the EBA.

While the Society continues to believe that the PPDS meet the CET1 criteria in all respects, the Society in the meantime has, in line with its February announcement, had constructive engagement with major holders of both the PPDS and the PIBS with respect to its options to guard against the possibility of the EBA deciding that the PPDS no longer qualify as CET1. These included discussions about the potential for the following:

- the PPDS holders agreeing to certain variations to the Special Conditions of the PPDS to address the investor challenges raised with respect to the qualification of the PPDS as CET1 capital; and

- a potential offer by the Society to exchange the PPDS into CCDS (an instrument which has been specifically designed to comply with the CET1 capital criteria under the current prudential rules published in 2013, and which has been issued by other building societies).

It was clear throughout discussions with these major holders that, irrespective of the outcome of the EBA's deliberations on eligibility of the PPDS, the major holders and the Society were aligned in their views that a modernisation of the Society's capital structure would be appropriate. Following these discussions, the Society is pleased to announce its plans to conduct an LME involving the PPDS and the PIBS.

On an indicative basis only, had the LME been successfully completed on 30 September 2017 (the latest reporting date of the Society prior to this announcement) and assuming only those PIBS holders from whom binding commitments have been received by the Society participate in the LME, the Society expects that its CET1 ratio would have decreased by approximately 0.4 percentage points to 13.7 per cent., its total capital ratio (with full impact of CRD IV implementation) would have increased by approximately 0.4 percentage points to 15.2 per cent. and Member Reserves would have increased by approximately £42 million. On the same basis but assuming that 100 per cent. of PIBS holders participate in the LME, the Society expects that its CET1 ratio would have increased by approximately 0.3 percentage points to 14.4 per cent., its total capital ratio (with full impact of CRD IV implementation) would have increased by approximately 1.1 percentage points to 15.9 per cent. and Member Reserves would have increased by approximately £52 million.

Given that the variations to the Special Conditions of Issue of the PPDS will address the investor challenges raised with respect to the PPDS, the Society has elected to withdraw its request for clarification from the EBA.

Jonathan Westhoff, Chief Executive of the Society, said:

"I am pleased to be able to announce our capital management plans today. The Board considers the measures put forward to be in the best interests of the members of the Society as a whole and will secure and modernise the Society's capital base. Undertaking these plans will secure the strong capital position of the Society and allow us to continue with our plans to deliver exceptional lending and savings products to our membership."

Binding Commitments

The Society has entered into a Lock-up Agreement with certain institutional holders of the PPDS and the PIBS (the "**Consenting Holders**"). The Consenting Holders have confirmed to the Society that they represent a total of 2,756 PPDS (approximately 75.5 per cent of the PPDS currently in issue) and a total of £37,253,000 in principal amount of PIBS (approximately 49.7 per cent of the total principal amount of PIBS currently in issue). Pursuant to the Lock-up Agreement, the Consenting Holders have given binding commitments to offer to exchange all such PPDS and PIBS (and any other PPDS and PIBS which they may subsequently acquire) in the LME, and to cast the votes attaching to such PPDS and PIBS in favour of all Variations, on substantially the terms set out below.

Overview of the planned LME

The planned LME is expected to consist of the proposed PPDS Exchange Offer, the proposed PIBS Exchange Offer, the proposed PIBS Tender Offer and the proposed Variations, each as defined in this announcement.

The proposed exchange offers (the "**Exchange Offers**") consist of:

- an invitation to holders of the PPDS (all of which are believed to be institutional investors) to offer to exchange their holdings for a combination of CCDS and Tier 2 Notes to be issued by the Society and cash (the "**PPDS Exchange Offer**"); and

- an invitation to institutional holders of the PIBS to offer to exchange their holdings for a combination of CCDS to be issued by the Society and cash (the "**PIBS Exchange Offer**"),

in each case on terms more fully described below.

The Society understands that there may be some retail investors holding PIBS (expected to hold in aggregate no more than 10 per cent. of the outstanding PIBS). Recognising that the Society is restricted under law and regulation from issuing CCDS to retail investors, and that the risks inherent in an investment in such securities are likely to render them unsuitable for most retail investors, retail investors in the PIBS will not be eligible to participate in the PIBS Exchange Offer. The Society proposes, instead, to make a cash tender offer (the "**PIBS Tender Offer**") to retail holders of the PIBS, on terms more fully described below.

The Society also intends to propose certain resolutions to the holders of the PPDS and the PIBS to enable the Society to vary the Special Conditions of Issue of the PPDS and the PIBS (the "**Variations**"), with a view to, amongst other things:

(i) ensuring that the PPDS continue to qualify as CET1 capital pending completion of the LME;

(ii) enabling the Society to effect mandatorily the exchange, on or around the settlement date of the LME, of any remaining PPDS for CCDS, Tier 2 Notes and cash on substantially the same economic terms as the PPDS Exchange Offer;

(iii) ranking the PPDS junior to the PIBS; and

(iv) removing restrictions on, and obligations of, the Society if interest payments in respect of the PIBS have not been paid in full.

Under the Special Conditions of Issue of the PPDS and the PIBS, the Society is permitted to make such Variations either:

(1) with the consent in writing of the holders of at least three-quarters in number of the PPDS or in principal amount of the PIBS, respectively; or

(2) with the sanction of a resolution passed at a separate meeting of the holders of the PPDS or the PIBS, respectively (the quorum for each such meeting being one or more persons representing not less than one-third of the PPDS or the PIBS, respectively, and the resolution being passed if not less than three-quarters of the PPDS or PIBS, respectively, represented at such meeting are voted in favour).

If such Variations are approved in accordance with (1) or (2) above and implemented by the Society, they will bind all holders of the PPDS or the PIBS, as applicable, including those who did not sign the written resolution or vote in favour at the relevant meeting.

Since the Consenting Holders represent more than three-quarters in number of the PPDS, the Society expects to make some or all of the Variations to the Special Conditions of Issue of the PPDS following the consent in writing of the Consenting Holders under (1) above. The Consenting Holders have, in the Lock-up Agreement, agreed to provide such written consents. The Society expects to make certain of these Variations in the near-term, and in any event prior to launch of the LME, in particular those Variations which address the investor challenges as to qualification of the PPDS as CET1 capital. The Society expects to notify all PPDS holders of the proposed Variations in advance.

The Society further expects, as part of the LME, to convene one or more meetings of the PIBS holders and may also convene one or more meetings of the PPDS holders, in each case as mentioned under (2) above. Participation in the Exchange Offers or PIBS Tender Offer will be conditional upon the holder casting its votes in favour of any relevant resolutions put to such holders.

Terms of the proposed PPDS Exchange Offer

For each PPDS (which have an original principal value of £50,000 each) exchanged in the PPDS Exchange Offer, the Society expects to offer holders:

(a) £6,164.38 of consideration (representing 12.329 per cent. of original principal value) which will be used to pay up an equivalent principal amount of Tier 2 Notes;

(b) £31,013.70 of consideration (representing 62.027 per cent. of original principal value) which will be used to pay up CCDS at an issue price of £100 per CCDS (comprising £1 of nominal value and £99 of premium per CCDS); and

(c) £750 in cash (representing 1.50 per cent. of original principal value).

Given the Society’s proposed Distribution Policy on the CCDS (as set out below), the Society anticipates that any trading in the CCDS is likely initially to be at a substantial discount to their issue price.

The Society does not expect to pay any amounts for or in respect of PPDS dividends.

In addition, holders who validly offer to exchange their PPDS (which exchange instruction will also comprise an instruction appointing a proxy to vote such holder’s PPDS in favour of any resolutions put to the PPDS holders in respect of the Variations) will, if the PPDS Exchange Offer successfully settles, also be entitled to receive a completion premium (the “**PPDS Completion Premium**”) equal to £500 per PPDS (representing 1.00 per cent. of original principal value). Whilst the Society intends that any mandatory exchange of PPDS following implementation of applicable Variations will be on substantially the same terms as the PPDS Exchange Offer, the PPDS Completion Premium will not be available in respect of any PPDS which are the subject of such mandatory exchange.

Terms of the proposed PIBS Exchange Offer

For every £100 of principal amount of PIBS exchanged in the PIBS Exchange Offer, the Society expects to offer holders:

(a) £27.16667 of consideration which will be used to pay up CCDS at an issue price of £100 per CCDS (comprising £1 of nominal value and £99 of premium per CCDS); and

(b) £41.50 in cash.

The Society does not expect to pay any amounts for or in respect of accrued interest in respect of the PIBS.

In addition, holders who validly offer to exchange their PIBS (which exchange instruction will also comprise an instruction appointing a proxy to vote such holder's PIBS in favour of any resolutions put to the PIBS holders in respect of the Variations) will, if the PIBS Exchange Offer successfully settles, also be entitled to receive a completion premium (the "**PIBS Completion Premium**") equal to £1.00 per £100 of principal amount of PIBS exchanged in the PIBS Exchange Offer.

Terms of the proposed PIBS Tender Offer

For every £100 of principal amount of PIBS tendered and purchased in the PIBS Tender Offer, the Society expects to offer retail holders £51.00 in cash.

The Society does not expect to pay any amounts for or in respect of accrued interest in respect of the PIBS.

In addition, holders who validly tender their PIBS (which tender instruction will also comprise an instruction appointing a proxy to vote such holder's PIBS in favour of any resolutions put to the PIBS holders in respect of the Variations) will, if the PIBS Tender Offer successfully settles, also be entitled to receive a completion premium (the "**Tender Completion Premium**") equal to £1.00 per £100 of principal amount of PIBS tendered and purchased in the PIBS Tender Offer.

Proposed terms of the CCDS and the Tier 2 Notes

The terms of the CCDS and Tier 2 Notes will be set out in full in the relevant offer documents to be made available by the Society to holders of the PPDS and the PIBS upon launch of the LME.

Certain key commercial terms of the CCDS and the Tier 2 Notes are expected to be as follows:

Certain summary terms of CCDS

Issue Price	£100 per CCDS (representing £1 of nominal amount and £99 of premium per CCDS).
Minimum Transfer Amount	The CCDS will be subject to a minimum transfer amount, currently expected to be 500 CCDS.
No maturity	The CCDS will constitute perpetual, permanent non-withdrawable deferred shares of the Society and will have no maturity date. The Society may, however, elect to purchase CCDS at its discretion, subject to regulatory approval.
Subordination	The CCDS will be the most junior-ranking capital instrument of the Society. In a winding-up or dissolution of the Society, the claims of CCDS holders will be limited to a deeply subordinated claim for any declared and unpaid Distributions plus a share of the surplus assets (if any) of the Society

	remaining once all liabilities of the Society have been satisfied in full.
Distributions	The Society's Board of Directors (the "**Board**") will be entitled, in its sole and absolute discretion, from time to time to declare periodic investment returns ("**Distributions**") in respect of the CCDS. With respect to any given financial year of the Society, the Board may declare an interim Distribution (an "**Interim Distribution**") during such financial year and/or a final Distribution (a "**Final Distribution**") in respect of such financial year. The Board currently expects that, with respect to any financial year, any Interim Distribution declared will be paid in February during such financial year and any Final Distribution will be paid in August immediately following such financial year. However, the Society may elect to vary the time for payment from time to time. The Board shall have full discretion whether or not to declare any Distribution, and (if declared) the amount of any such Distribution (subject to the Cap referred to below). Further, Distributions will be paid only out of available distributable items, and subject to any maximum distributable amount restrictions under Article 141 of Directive 2013/36/EU. Failure to declare any Distributions shall not constitute a default by the Society for any purpose, and no amount shall accrue in respect of Distributions, nor shall any amount accumulate, if the Board does not declare any Distributions.
Cap on Distributions	The total Distribution paid on each CCDS in respect of any given financial year of the Society shall not exceed the prevailing periodic investment returns cap determined in accordance with the Rules of the Society (the "**Cap**"). Whilst the Board is not currently targeting any Distributions in respect of the Society's financial year ending 31 March 2018 (even if the CCDS were to be issued prior to such date), the Cap on such Distributions, if declared, would be determined by applying the Consumer Prices Index annual inflation percentage published by the Office for National Statistics in its statistical bulletin for March 2018 to the prevailing Cap in respect of the financial year to 31 March 2017 of £15.42. The Cap will be adjusted for inflation in each year in accordance with, and subject to, the Rules of the Society.
Distribution Policy	The Board intends to set a policy (the "**Distribution Policy**") in respect of Distributions. The Distribution Policy, which is expected to be substantially in the form of the indicative distribution policy set out below, is entirely discretionary, and the Board may elect to amend or depart from such policy at any time.
Form	The CCDS are expected to be issued, with any minimum investment amount to be determined by the Society, in registered form and represented upon issue by a global certificate deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank SA/NV and Clearstream Banking S.A. (the "**Clearing Systems**"). Beneficial interests in the CCDS will be traded in the Clearing Systems.
Rating	As a CET1 instrument, the CCDS will not be rated.
Listing	The Society will seek to obtain a listing of the CCDS on a stock exchange to be determined by the Society.

Voting	At any meeting of the CCDS holders as a separate class, each CCDS holder would have one vote for each CCDS held. In line with the 'one member one vote' principle, at any general meeting of the members of the Society, any registered holder of any CCDS will have a single vote (regardless of the number of CCDS held by it). However, for so long as the CCDS are traded in the Clearing Systems (which is expected to remain the case indefinitely), the only registered holder of CCDS would be the nominee for the common depositary for the Clearing Systems, and it is expected that the nominee will elect not to exercise that single vote (with the effect that investors in the CCDS will not be entitled to vote at general meetings of the Society).

Certain summary terms of the Tier 2 Notes

Issue Price	100 per cent. of the principal amount.
Subordination	The Tier 2 Notes will be subordinated liabilities of the Society, ranking junior to unsubordinated liabilities, at least *pari passu* with other tier 2 securities of the Society and in priority to tier 1 securities of the Society (including the CCDS and the PIBS).
Interest	11 per cent. of the principal amount per annum, payable in equal instalments semi-annually in arrear.
Maturity	Expected 20 years from the date of issue.
Optional Redemption	The Society expects to retain an option, subject to regulatory consent, to redeem the Tier 2 Notes at par on the interest payment date falling 5 years prior to the maturity date or any subsequent interest payment date.
Special Event Redemption	The Society expects to retain customary options, subject to regulatory consent, to redeem the Tier 2 Notes at par at any time in the event of certain changes in the tax treatment of the Tier 2 Notes or if the Tier 2 Notes cease in full or in part to qualify as tier 2 capital.
Form	The Tier 2 Notes are expected to be issued, in denominations to be determined by the Society, in registered form and represented upon issue by a global certificate deposited with, and registered in the name of a nominee for, a common depositary for the Clearing Systems. Beneficial interests in the Tier 2 Notes will be traded in the Clearing Systems.
Rating	The Society does not expect to seek a credit rating for the Tier 2 Notes.
Listing	The Society will seek to obtain a listing of the Tier 2 Notes on a stock exchange to be determined by the Society.
Voting	At any meeting of the Tier 2 Note holders as a separate class, each holder would have one vote for each £1 in principal amount of Tier 2 Notes held. A holding of any Tier 2 Notes will not entitle holders to attend or vote at general meetings of the Society.

Indicative Distribution Policy for the CCDS

The Society expects to publish its initial Distribution Policy in substantially the following terms. The Distribution Policy will be entirely discretionary, and the Board may elect to amend or depart from such policy at any time.

"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.*

The Board currently intends not to declare any Distributions in respect of the financial years ended 31 March 2018 and 31 March 2019.

The current intention of the Board is to target the payment of Distributions thereafter as follows:

- *in respect of the financial year ended 31 March 2020, an Interim Distribution of £0.50 per CCDS and a Final Distribution of £0.50 per CCDS;*
- *in respect of the financial year ended 31 March 2021, an Interim Distribution of £1.00 per CCDS and a Final Distribution of £1.00 per CCDS ;*
- *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 Society notes, however, that the targeted path of Distributions and the targeted long-term Distributions set out above are dependent on improvement in the Society's annual profitability from its *current level. In the event that the Society's profitability and/or financial position diverges from the Board's current expectations, it is likely that the Board will choose to amend its Distribution Policy or depart from it.*

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."

Intention for residual PPDS and PIBS

In the event that any PPDS remain outstanding following the PPDS Exchange Offer, the Society expects to use its option to effect the mandatory exchange of such PPDS on substantially the same economic terms as the PPDS Exchange Offer.

In the event that any PIBS remain outstanding following conclusion of the LME, the current intention of the Board is to establish a policy whereby if it elects, in its sole discretion, to make any future payments of distributions on such residual PIBS, such payments will be made only if and to the extent that they would have been permitted had the LME not taken place. This will limit interest payments on the PIBS to the lower of (i) the equivalent annual yield that would have been paid to holders of PPDS (had they remained in issue on their original terms); and (ii) the annual rate set out in the Special Conditions of Issue of the PIBS (the "**Specified Rate**"), being 6.15 per cent. prior to 5 April 2021 and, thereafter, a rate of interest reset periodically and equal to the applicable 5-year gilt rate plus a margin of 2.8 per cent. The Society notes that under this policy is it likely that no interest payments will be made on the PIBS (if any remain outstanding) in the near term, and that subsequent interest payments on the PIBS, if made, will likely be below the Specified Rate. Further, the Board will continue to have complete discretion under the Special Conditions of Issue of the PIBS not to declare any distributions. The Board will continue to keep its expected policy under review, having regard to its duties to act in the interests of the members of the Society as a whole.

Next Steps

As noted above, whilst the PRA has accepted the plan for the LME, including the core commercial terms for the transaction summarised in this announcement, implementation is subject to regulatory approvals once the Society has made the formal submissions required under applicable prudential rules. The Society intends to work towards obtaining such approvals with a view to launching the LME as soon as reasonably practicable, and targeting the first half of 2018.

Upon launch, offer documentation setting out the detailed terms of the LME, the CCDS and the Tier 2 Notes will be provided to eligible holders of the PPDS and the PIBS.

Whilst the Society is confident that it will be in a position to launch the LME and issue the CCDS and Tier 2 Notes on substantially the terms described in this announcement, it reserves the right not to launch the LME, or to vary any such terms, if so required by its regulators or if the Society determines that any such course of action is appropriate having regard to the interests of its members as a whole, and will promptly announce any decision in that regard. Save for any such announcement or any other announcement as may be required by applicable law or regulation, the Society does not currently expect to make further detailed announcements with respect to the LME until formal launch of the LME.

Evercore Partners International LLP is acting as financial adviser to the Society and Allen & Overy LLP is acting as legal adviser to the Society.

Market Abuse Regulation

This announcement is released by West Bromwich Building Society and contains information that qualifies or may have qualified as inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 ("**MAR**"), encompassing information relating to the Liability Management Exercise described above. For the purposes of MAR and Article 2 of Commission Implementing Regulation (EU) 2016/1055, the person responsible for arranging the release of this announcement on behalf of West Bromwich Building Society is Ashraf Piranie, Group Finance & Operations Director.

ENQUIRIES

Andy Donald
Maitland

+44 (0) 20 7379 5151
adonald@maitland.co.uk

Forward-Looking Statements

This announcement and documents referred to in it contain "forward-looking statements" concerning the Society and the Liability Management Exercise. Generally, the words "will", "may", "should", "could", "would", "can", "continue", "opportunity", "believes", "expects", "intends", "anticipates", "estimates" or similar expressions identify forward-looking statements. The forward-looking statements involve risks and uncertainties that could cause actual results or actions to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the Society's ability to control or estimate precisely, such as future market conditions and the behaviours of other market participants, and therefore undue reliance should not be placed on such statements. The Society assumes no obligation and does not intend to update these forward-looking statements, except as required pursuant to applicable law.

DISCLAIMER

*Neither this announcement, the publication in which it is contained nor any copy of it may be made or transmitted into the United States of America (including its territories or possessions, any state of the United States of America and the District of Columbia) (the "**United States**"). Neither this announcement, the publication in which it is contained nor any copy of it may be taken, transmitted or distributed, directly or indirectly, into Australia, South Africa, Japan or Canada or any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction. Any failure to comply with this restriction may constitute a violation of securities law in those jurisdictions. The distribution of this document in other jurisdictions may also be restricted by law and persons into whose possession this announcement comes should inform themselves about, and observe, any such restrictions.*

This announcement does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for any PPDS, PIBS, CCDS, Tier 2 Notes or any other securities nor shall it (or any part of it) or the fact of its distribution, form the basis of, or be relied on in connection with, any contract therefore. The Society expects to make the Exchange Offers and the PIBS Tender Offer available outside the United States and otherwise subject to customary jurisdictional offer restrictions.

*None of the securities referred to herein have been, or will be, registered under the US Securities Act of 1933, as amended (the "**Securities Act**"), and they may not be offered or sold in the United States absent an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offering of the securities in the United States.*

***Restriction on marketing and sales to retail investors**: the CCDS are not intended to be offered or sold and should not be offered sold to "retail clients" in the European Economic Area, as defined in the rules set out in the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015 and Chapter 22.2 of the Financial Conduct Authority's Conduct of Business Sourcebook, as amended or replaced from time to time, other than in circumstances that do not and will not give rise to a contravention of those rules by any person. The Society will not offer or sell CCDS to retail clients, nor will it at any time take, or be required to take, any action which would permit or facilitate an offer or sale of any CCDS to any retail client.*

***MiFID II / PRIIPS**: The manufacturer target market for the CCDS and the Tier 2 Notes for the purposes of MiFID II product governance under Directive 2014/65/EU (as amended) will be eligible counterparties and professional clients only (all distribution channels). Furthermore, no key information document required by Regulation (EU) No*

*1286/2014 (the "**PRIIPs Regulation**") will be prepared. Offering, selling or otherwise making any securities which fall within the scope of the PRIIPS Regulation available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.*

This announcement is an advertisement and not a prospectus. Investors should not make any investment decision regarding any transferable securities referred to in this announcement except on the basis of information contained in the final offer documents for the Liability Management Exercise prepared by the Society to be made available to eligible investors in due course. The Society expressly reserves the right to adjust or amend the terms of the Liability Management Exercise and any of the securities referred to herein at any time.

Evercore Partners International LLP, which is authorised and regulated by the Financial Conduct Authority, is acting as financial adviser for the Society and no one else in connection with the matters referred to in this announcement and will not be responsible to anyone other than the Society for providing the protections afforded to its clients or for providing advice in relation to the matters referred to in this announcement.