

**PROPOSED TRANSFER OF THE BUSINESS OF CLYDESDALE BANK PLC TO NATIONWIDE
BUILDING SOCIETY PURSUANT TO PART VII OF THE FINANCIAL SERVICES AND MARKETS
ACT 2000**

EXPLANATORY STATEMENT

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BACKGROUND

On 1 October 2024, Nationwide Building Society ("**Nationwide**") completed its recommended cash acquisition of Virgin Money UK PLC ("**Virgin Money**"). Virgin Money is the direct parent company of Clydesdale Bank PLC ("**Clydesdale**").

As part of a broader programme to integrate the Nationwide and Virgin Money groups, Clydesdale proposes to transfer the entirety of its current business (with the exception of a small number of products, contracts and other arrangements) (the "**Transferring Business**") to Nationwide.

The business transfer will be effected by means of a banking business transfer scheme (the "**Scheme**") under Part VII of the Financial Services and Markets Act 2000.

This Explanatory Statement provides details of the terms of the Scheme, as required by regulation 5(4) of the Financial Services and Markets Act 2000 (Control of Business Transfers) (Requirements on Applicants) Regulations 2001. The information in this document is only a summary of the Scheme and should not be relied on in place of reading the full version of the Scheme document (the "**Scheme Document**"). Further information in relation to the transfer, including the Scheme Document, is available on our website at virginmoney.com/nationwide-transfer. In this Explanatory Statement, capitalised terms shall have the meanings given to them in paragraph 1.1 of the Scheme Document.

You can request free copies of any of the relevant documents, including the Scheme Document, or ask any further questions you may have, by calling our Nationwide Transfer team on 0800 066 5008 (or 00 44 141 880 2050 if calling from outside the UK). Alternatively, you can email us at nationwide-transfer@virginmoney.com or write to the below address:

Nationwide Transfer
The team at Virgin Money
Sunderland
SR43 4JB

Clydesdale and Nationwide are each authorised by the Prudential Regulation Authority ("**PRA**") and regulated by the Financial Conduct Authority ("**FCA**") and the PRA.

THE SCHEME

This section sets out the principal terms of the Scheme. The purpose of the Scheme is to effect the transfer of nearly all of Clydesdale's business, including most of its assets and liabilities, to Nationwide.

Transfer of the Transferring Business

Subject to the approval of the Court, the whole business of Clydesdale will transfer to Nationwide, except for the Excluded Business, which will remain with Clydesdale. The Excluded Business includes:

- (a) Clydesdale's banknote issuance business; and
- (b) most of Clydesdale's assets and liabilities that are not governed by the laws of the United Kingdom.

If the Scheme is approved by the Court, any contracts between Clydesdale and a third party (including a Customer) relating to the Transferring Business will transfer so that they will become contracts between Nationwide and the third party. The Scheme will make certain consequential amendments to such contracts where changes are necessary as a result of the effects of the Scheme.

If the Scheme is approved by the Court, Nationwide will acquire all of the rights, benefits and powers of Clydesdale in relation to the Transferring Business. Clydesdale's customers, including Deposit Customers, Loan Customers, Mortgage Customers and Credit Card Customers, will have the same rights against, and obligations to, Nationwide in respect of their banking arrangements as they currently have against, and to, Clydesdale.

If the Scheme is approved by the Court, Nationwide will acquire all the issued shares or other interests or ownership rights (i) in Clydesdale's subsidiaries; and (ii) of Clydesdale in the companies in which it holds a minority interest.

Membership of Nationwide

Nationwide is a building society with two types of member, namely Investing Members and Borrowing Members. The Scheme contains a mechanism so that, if the Scheme is approved by the Court:

- (a) each of Clydesdale's Eligible Deposit Customers holding an Eligible Deposit Account will become an Investing Member of Nationwide and will have the same rights and obligations as a new Investing Member of Nationwide (to the extent that such Eligible Deposit Customers otherwise satisfy the requirements for investing membership set out in the rules of Nationwide); and
- (b) each of Clydesdale's Eligible Mortgage Customers with an Eligible Mortgage Account will become a Borrowing Member of Nationwide and will have the same rights and obligations as a new Borrowing Member of Nationwide (to the extent that such Eligible Mortgage Customers otherwise satisfy the requirements for borrowing membership set out in the rules of Nationwide).

Residual Assets and Residual Liabilities

The Scheme also contains provisions dealing with certain assets and liabilities which, for whatever reason, cannot be transferred on the Effective Date. These are referred to as Residual Assets and Residual Liabilities in the Scheme Document. Under the Scheme, any Residual Assets and Residual Liabilities will be transferred once it is possible to do so. The Scheme also contains provisions which allow Sanctioned Assets and Sanctioned Liabilities to transfer after the Effective Date if the relevant prohibition on transfer ceases to apply or if an OFSI Licence is granted.

FSCS Limit

Customers of Nationwide and Clydesdale are covered by the FSCS. If a financial institution is unable to meet its financial obligations, the FSCS pays out compensation, up to the FSCS Limit, to Customers with eligible deposits. If the Scheme is approved by the Court, Customers who hold eligible deposits across both Nationwide and Clydesdale could cease to be protected by FSCS due to the consolidation of their eligible deposits. The Scheme contains provisions which mitigate this potential harm by allowing, for a period from 24 February 2026 until 1 June 2026 (or the equivalent date for Residual Liabilities or Sanctioned Liabilities), impacted Customers penalty and notice-free withdrawals from their eligible deposits down to the FSCS Limit.

Mitigating prejudice to Customers

If the Scheme is approved by the Court, the transfer of the Transferring Business may result in Nationwide having certain rights in respect of the Transferring Business that Clydesdale did not have prior to the Relevant Date. Where the exercise of such rights might prejudice counterparties, Nationwide has given certain undertakings not to exercise those rights, in order to mitigate any potential prejudice. These undertakings, which are contained in Part E of the Scheme Document, are in respect of set-off rights; all monies rights; consolidation rights; cross-default rights; entire agreement clauses; and guarantees and indemnities.

Continuity of Proceedings

If the Scheme is approved by the Court, any pending, current or future Proceedings (including administrative or regulatory processes, arbitrations and complaints to ombudsmen), in connection with the Transferring Business and to which Clydesdale is a party, will be continued or commenced by, against or with Nationwide. Any judgment, settlement, order or award obtained by or against Clydesdale in respect of the Transferring Business, which is not fully satisfied before the transfer occurs, will become enforceable by or against Nationwide.

Data Protection and Marketing

If the Scheme is approved by the Court, Nationwide will succeed to all rights, liabilities and obligations of Clydesdale in respect of personal data relating to the Transferring Business and will become the data controller of such information. Nationwide will also be under the same duty as Clydesdale to respect the confidentiality and privacy of that information.

If the Scheme is approved by the Court, Nationwide will handle and respond to any request made to Clydesdale by an individual to exercise their rights under applicable data protection law if Clydesdale has not responded to such request before the Relevant Date.

If the Scheme is approved by the Court, any marketing consents held by Clydesdale will be transferred to Nationwide and Clydesdale will no longer be able to rely on them. The validity of marketing consents held by Nationwide immediately after the point of transfer, including those it held before the transfer, will not be affected by the transfer even if Clydesdale held a different set of permissions in respect of the same person. The transfer will not extend, broaden, or otherwise change the scope of any marketing consents held by Clydesdale at the point of transfer.

OTHER MATTERS

The final court hearing is scheduled for 23 February 2026 and, subject to the approval of the Court, the Scheme is expected to become effective at 23.59 hrs (BST) on 2 April 2026 (the “**Effective Date**”). Unless the transfer occurs before 23.59 hrs (BST) on 31 July 2026 or such other date as Nationwide and Clydesdale agree (or a later date, if allowed by the Court), the Scheme will lapse.

If the Court approves or imposes any modification of or addition to the Scheme (or any further condition or provision affecting the Scheme) prior to its sanction of the Scheme, Clydesdale and Nationwide may jointly consent to it for and on behalf of themselves and all other persons concerned (other than the PRA or the FCA).

After the sanction of the Scheme, Clydesdale and Nationwide may apply to the Court for consent to amend the terms of the Scheme. If Clydesdale and Nationwide make such an application, the PRA and FCA shall be notified of and have the right to be heard at the Court hearing. Minor and/or technical amendments or correction of manifest errors will not require the sanction of the Court; however, the PRA and FCA must be given notice of them and confirm they do not object (or not indicate any objections within 30 days of acknowledging the notification).

10 November 2025