

Explanatory Statement setting out the terms of the scheme for the proposed transfer by Sainsbury's Bank plc of parts of its core banking business to National Westminster Bank Public Limited Company

1 Overview

- 1.1** Sainsbury's Bank plc ("**Sainsbury's Bank**") is proposing to transfer its core banking business, including its credit cards, personal loans and savings accounts and products (as further described in paragraph 4 below) to National Westminster Bank Public Limited Company ("**NatWest**") (the "**Transfer**") by way of a banking business transfer scheme (the "**Scheme**") under Part VII of the Financial Services and Markets Act 2000 (as amended) ("**FSMA**").
- 1.2** The terms of the Transfer are set out in full in the document setting out the terms of the Scheme (the "**Scheme Document**") which is subject to the approval of the High Court of England and Wales (the "**Court**") under Part VII of FSMA. The Transfer is made pursuant to, and aligned with, Sainsbury's' long-term strategy whereby Sainsbury's intends to concentrate its efforts on its core retail business and has committed to a phased withdrawal from its core banking business.
- 1.3** This Explanatory Statement sets out a summary of the terms of the Scheme. It should not be relied on in place of reading the Scheme Document itself. Further information about the Scheme and other key documents relating to the Scheme can be obtained from the following website www.sainsburysbank.co.uk/transfer-scheme or from the contact details set out at the end of this Explanatory Statement.

2 Process

- 2.1** To become effective, the Scheme requires the sanction of the Court. Sainsbury's Bank and NatWest made an application to the Court for such sanction on 22 January 2025 (the "**Application**"). It is expected that the hearing at which the Court will consider and, if thought fit, sanction the Scheme (the "**Final Hearing**") will be held on 15 April 2025.
- 2.2** Both Sainsbury's Bank and NatWest are regulated by the Financial Conduct Authority (the "**FCA**") and authorised and regulated by the Prudential Regulation Authority (the "**PRA**") (together the "**Regulators**"). The Regulators are entitled to appear at the Final Hearing, and Sainsbury's Bank and NatWest have been liaising with the Regulators as part of the Scheme process.
- 2.3** Other procedural requirements, which must be met between the date of the Application and the Final Hearing, are as follows:
- 2.3.1** a notice stating that the Application has been made must be published. This notice has been approved by the PRA and it is intended that it will be published in the London Gazette, the Edinburgh Gazette, the Belfast Gazette, the Telegraph and the Daily Mail;
- 2.3.2** Sainsbury's Bank and NatWest must provide the Regulators with copies of the Application and this Explanatory Statement;
- 2.3.3** NatWest must obtain from the PRA a certificate of adequacy of financial resources, and must have the requisite regulatory authorisations to carry on the Transferring Business (as defined in paragraph 4.1 below); and

2.3.4 a copy of this Explanatory Statement must be made available free of charge to any person who requests it.

2.4 Any person (including any customer or employee of Sainsbury's Bank or NatWest) who claims that they would be adversely affected by the carrying out of the Scheme is entitled to appear at the time of the Final Hearing in person or by a representative to present their objections or concerns to the Court. Any person who does not intend to attend the Final Hearing can make representations in writing to Sainsbury's Bank using the contact details at the end of this Explanatory Statement. Sainsbury's Bank will share summaries of any representations it receives with the Court and the Regulators.

2.5 Any person who intends to appear, or be represented, at the Final Hearing is requested, but is not required, to give prior notice in writing to Sainsbury's Bank of such intention, together with their reasons, as soon as possible and preferably by 8 April 2025 by using the contact details at the end of this Explanatory Statement. This will enable Sainsbury's Bank and NatWest to address any concerns raised in advance of the Final Hearing.

2.6 A failure to give notice in advance does not prevent any person who wishes to do so from attending the Final Hearing in person or by a representative. Such a representative does not need legal training and could be a friend or relative. Any representative appointed will be at the person's own cost, unless the Court directs otherwise. Please note that if objections are to be made by a representative (including a friend or relative), they will need the permission of the Court to speak or have appropriate rights of audience to appear at Court.

3 Effective Date of the Scheme

3.1 If the proposed Transfer is approved by the Court, it is intended that the Scheme will become effective at 00.01 on 1 May 2025 or such other date as agreed between Sainsbury's Bank and NatWest in writing and approved by the Court (the "**Effective Date**").

3.2 The Scheme provides a mechanism to transfer the Transferring Business (as detailed in paragraph 4 below) either: (i) on the Effective Date (for assets and liabilities that are able to transfer to NatWest on that date); or (ii) on subsequent dates (for any residual assets or liabilities, restricted assets or liabilities or assets that constitute Bank of England collateral that were not transferred on the Effective Date), (in each case, the "**Relevant Date**"), without any further steps being required.

4 The Transferring Business

4.1 Sainsbury's Bank is an authorised bank in the United Kingdom and provides a range of banking products and services to retail customers. The business that is proposed to be transferred to NatWest under the Scheme is part of the core banking business of Sainsbury's Bank consisting of certain assets and liabilities of its: (i) credit card; (ii) personal loan; and (iii) savings, accounts and products, unless expressly excluded under the Scheme (the "**Transferring Business**"). If the proposed Transfer is approved by the Court, the relevant Transferring Business will transfer to NatWest on each Relevant Date.

4.2 Certain credit card, personal loan and savings accounts and products are excluded from the proposed Transfer and are referred to as Excluded Credit Cards, Excluded Personal Loans and Excluded Deposits respectively (each as defined in the Scheme Document). Examples of such exclusions include:

- 4.2.1 Excluded Credit Cards:** credit cards provided to customers resident outside of the UK (other than UK military or UK diplomat customers) and unless the relevant credit card account is closed for any further credit transactions prior to the Effective Date (but has a debit balance), credit cards that offer features such as fee-free foreign exchange, cashback or Nectar points at a rate more favourable to the relevant customer than a Nectar offer of 1 Nectar point earned per every £2.00 spent in Sainsbury's stores operated by a member of the Sainsbury's Bank group or 1 point per £5.00 spent elsewhere;
- 4.2.2 Excluded Deposits:** deposits held by Sainsbury's Bank for customers resident outside of the UK (other than UK military or UK diplomat customers) other than suspense accounts, deposits offered through third-party platforms, corporate fixed term deposits, pre-paid travel charge cards, deposit accounts treated by the Transferor as a trust account with a named beneficiary and deposits accounts linked to a Saveback debit card; and
- 4.2.3 Excluded Personal Loans:** personal loan products offered to customers resident in the Netherlands.

5 Effects of the Transfer

5.1 Paragraphs 5.2 to 5.9 below set out what will happen in the event the proposed Transfer is approved by the Court.

5.2 Customer agreements

Except as provided in the Scheme Document, in respect of the Transferring Business:

- 5.2.1** any agreement or account between Sainsbury's Bank and a customer in respect of the Transferring Business shall, without further action, become an agreement or account between NatWest and that customer from the Relevant Date and will be subject to the same terms and conditions as applicable immediately prior to the Relevant Date, except that NatWest will become the legal entity that provides the transferring agreements or accounts in place of Sainsbury's Bank, and references to Sainsbury's Bank, the Sainsbury's Bank Group and other details will also be replaced as appropriate with references to, and the details of, NatWest and the NatWest Group;
- 5.2.2** customers of the Transferring Business will be entitled to the same rights against NatWest as were available to them against Sainsbury's Bank in relation to any such agreement or account, except for any Excluded Liabilities (as defined in the Scheme Document);
- 5.2.3** customers of the Transferring Business shall be liable to NatWest for any liabilities owed to Sainsbury's Bank immediately prior to the Relevant Date under or relating to any agreement or account;
- 5.2.4** NatWest will have all rights, powers, remedies and priority in relation to any other creditors in respect of customers of the Transferring Business that have entered into loan or credit card agreements as Sainsbury's Bank had immediately prior to their transfer; and
- 5.2.5** the Transfer under the Scheme will not invalidate, discharge, render non-binding or unenforceable or result in the termination of any contract (whether with a customer

or a third party), allow any party to a contract to terminate the contract, entitle any party to vary the terms of the contract (unless it would have been able to do so other than as a result of the Scheme), or confer any greater benefits or impose any greater or lesser obligations on any party to an agreement.

5.3 Offers

From the Relevant Date, any application made by a person to Sainsbury's Bank, whether or not accepted, and any offer or invitation to treat made by Sainsbury's Bank to a person, in each case, made prior to the Relevant Date in respect of the Transferring Business, shall have effect as an application made to, or offer or invitation to treat made by, NatWest and shall not be found to be unenforceable as a result of any documents having been issued in the name of Sainsbury's Bank.

5.4 Instructions and authorities

Any existing direct debit instruction, standing order, direction, mandate, power of attorney, authority, undertaking, consent, notice or declaration given to or by Sainsbury's Bank or any customer of the Transferring Business or any third party (whether or not in writing and whether or not in relation to an account) shall have effect, on and from the Relevant Date, as if given to or by NatWest (as applicable) or any third party in respect of the Transferring Business.

5.5 Consents

To facilitate the proposed transfer and operation of the Transferring Business, the Scheme will disapply from the Relevant Date until the expiry or termination of the transitional services agreement to be entered into between NatWest and Sainsbury's Bank on the Effective Date, plus a period of three months from the date of such expiry or termination, any restrictions or consent requirements in: (i) any existing agreements between NatWest and customers of the Transferring Business; (ii) any agreements between Sainsbury's Bank and customers of the Transferring Business that are transferring to NatWest under the Scheme; and (iii) any new agreements entered into by NatWest with customers of the Transferring Business on or after the Relevant Date, which would restrict the ability of Sainsbury's Bank or NatWest to subcontract, provide or otherwise pass through the benefit of, services or goods under, or in connection with such agreements.

5.6 Restrictions on contractual rights

5.6.1 Unless the Scheme provides otherwise, the scope for exercising certain rights may be widened as a result of the Scheme even if the rights under the agreements between a customer of the Transferring Business and Sainsbury's Bank will not change. The Scheme will therefore impose certain restrictions on NatWest in relation to exercising set off, all monies, consolidation or cross-default rights or rights under entire agreement clauses which may arise as a result of the Scheme.

- (i) **Set-off rights:** These rights allow a bank, in certain circumstances, to use money deposited with it by a customer (i.e. a credit balance) to reduce a debt or liability the same customer has with it that becomes repayable. Following the Relevant Date, NatWest will not be able to exercise set off rights in a customer's existing agreement with Sainsbury's Bank to pay any debts or liabilities owed by that customer to NatWest, or use any set-off rights in a customer's agreement with NatWest to pay any debts or liabilities owed by that customer to Sainsbury's Bank which is transferred to NatWest as a result

of the Scheme. These restrictions on NatWest shall stop applying: (i) where the relevant credit balance is at the Relevant Date held for a fixed term, three months after the end of that term (or the end of any amended fixed-term maturity date (as applicable)); (ii) where the credit balance is at the Relevant Date held on terms that a promotional rate of interest will be lost if the deposit is withdrawn before the end of a certain period, three months after the end of that period; and (iii) in all other cases, three months after the Relevant Date.

- (ii) **All monies rights:** These rights allow a lender to use security that has been given in relation to a debt, liability or other obligation owed to it to pay off another debt, liability or other obligation owed to it. From the Relevant Date, NatWest will not be able to apply all monies rights in a customer's existing agreement with NatWest to debts or liabilities arising under a customer's existing agreement with Sainsbury's Bank which is transferred to NatWest as a result of the Scheme, and vice versa.
- (iii) **Consolidation rights:** These rights allow a lender to retain security that has been granted to it against a debt or liability until such time as another debt or liability owed to that lender is satisfied. From the Relevant Date, NatWest will not be able to apply consolidation rights to prevent the release of security in a customer's existing agreement with NatWest to debts or liabilities arising under a customer's existing agreement with Sainsbury's Bank which is transferred to NatWest as a result of the Scheme, and vice versa.
- (iv) **Cross-default rights:** These rights can result in a customer automatically being in breach of one agreement with a bank if it is in breach of certain other agreements with the same bank. From the Relevant Date, a breach of a customer's existing agreement with Sainsbury's Bank which is transferred to NatWest as a result of the Scheme will not give rise to a breach of an existing agreement with NatWest, and vice versa, unless Sainsbury's Bank or NatWest (as applicable) would have been entitled to apply any cross-default rights arising from such a breach prior to the Relevant Date.
- (v) **Entire agreement clauses:** Some terms and conditions state that they apply to all agreements of a certain type that a person holds with either Sainsbury's Bank or NatWest. From the Relevant Date, agreements with Sainsbury's Bank will continue to be governed by the existing Sainsbury's Bank terms and conditions, and agreements with NatWest will continue to be governed by the existing NatWest terms and conditions, unless expressly stated otherwise. Any entire agreement clauses in new agreements entered into with NatWest after the Relevant Date shall not apply to a customer's existing agreement with Sainsbury's Bank which is transferred to NatWest as a result of the Scheme, unless stated otherwise.

5.7 Other rights

NatWest shall not be entitled, on and with effect from the Relevant Date, to apply any other right, benefit, interest, discretion, authority or power which might otherwise be exercisable by NatWest by virtue of this Scheme under or in respect of any transferring agreement with Sainsbury's Bank or any existing NatWest agreement to either: (i) terminate, reduce,

suspend, delay, alter, discharge or otherwise secure any liability a customer owes; or (ii) restrict the way in which a customer can deal with deposit or credit balances.

5.8 Guarantees and indemnities

On and with effect from the Relevant Date, NatWest shall not be entitled to exercise any rights under a guarantee, indemnity, undertaking or commitment given to: (i) NatWest under or relating to any existing NatWest agreement to secure the obligations of a customer of the Transferring Business under an agreement it has with Sainsbury's Bank; or (ii) Sainsbury's Bank under or relating to any transferring agreement with Sainsbury's Bank to secure the obligations of a customer of the Transferring Business under an agreement it has with NatWest.

5.9 Savings to rights

5.9.1 Notwithstanding the provisions of 5.5 to 5.8 above, the Scheme will not reduce any right, benefit, interest, discretion, authority or power which: (i) immediately before the Relevant Date, NatWest or its counterparty has in respect of agreements entered into by Sainsbury's Bank; (ii) immediately before the Relevant Date, Sainsbury's Bank or its counterparty has in respect of agreements entered into by NatWest; or (iii) Sainsbury's Bank, NatWest or a customer may acquire other than as a result of the Scheme, including as a result of the variation on or after the Relevant Date of any agreement such customer has with NatWest, any new agreement between NatWest and such customer or a transferring agreement it has with Sainsbury's Bank.

5.9.2 NatWest will not, without customer consent, vary the terms of any transferring agreement or any existing agreement a customer of the Transferring Business has with NatWest in a way which is inconsistent with the protections summarised at paragraphs 5.5 to 5.8 above. NatWest will also not vary any new agreement with a customer of the Transferring Business without their consent. This restriction shall not prevent NatWest and a customer of the Transferring Business from agreeing any such terms in any new agreement between NatWest and the customer of the Transferring Business at the time it is entered into.

6 Continuity of Proceedings

On and with effect from the Relevant Date:

6.1.1 any claim, counterclaim, complaint, petition, suit, appeal or other legal process (including any complaint or claim to any ombudsman, but excluding actions by the PRA or the FCA) by, against or with Sainsbury's Bank as a party, in respect of the Excluded Assets and Excluded Liabilities (each as defined in the Scheme Document) which have been issued, served, pending, threatened or which may be brought in the future, shall be continued or commenced by, against or with Sainsbury's Bank. Sainsbury's Bank and any other party to those proceedings will remain entitled to all defences, claims, counterclaims, defences to counterclaims and rights of set off that were or would have been available to Sainsbury's Bank in those proceedings; and

6.1.2 any claim, counterclaim, complaint, petition, suit, appeal or other legal process (including any complaint or claim to any ombudsman, but excluding actions by the PRA or the FCA) by, against or with Sainsbury's Bank as a party, in respect of the Transferring Business (excluding, for the avoidance of doubt, any Excluded Assets

and Excluded Liabilities (each as defined in the Scheme Document)) which have been issued, served, pending, threatened or which may be brought in the future, shall be continued or commenced by, against or with NatWest in place of Sainsbury's Bank. NatWest and any other party to those proceedings will be entitled to all defences, claims, counterclaims, defences to counterclaims and rights of set-off that were or would have been available to it in relation to those proceedings.

7 Financial Services Compensation Scheme

7.1 Customers of Sainsbury's Bank are covered by the Financial Services Compensation Scheme (the "**FSCS**"). The FSCS compensates customers with eligible deposits if their UK-authorized financial provider stops trading or becomes insolvent. The FSCS protects these customers up to a current limit of £85,000 in total across all the accounts a customer holds within an authorised firm (this includes a regulated bank, building society or credit union). There are two important points to remember about the deposit compensation limit:

7.1.1 the limit applies per authorised firm. Where a regulated bank or building society operates under more than one brand, customers with eligible deposits are entitled to up to £85,000 compensation in total, regardless of the balances a customer holds across the different brands the authorised firm operates; and

7.1.2 the limit applies to individuals, not accounts. This means that where a customer with eligible deposits holds joint accounts, such customer will be allocated an equal share of any joint account balance which will count towards that customer's individual combined balance. A customer's individual £85,000 protection relates to their individual combined balance.

7.2 Today, customers who have eligible deposits with Sainsbury's Bank and NatWest (including Ulster Bank Northern Ireland) are covered up to £85,000 with each bank by the FSCS. If the Scheme is approved, any balances held with Sainsbury's Bank, NatWest and/or Ulster Bank Northern Ireland will be covered by the FSCS up to a limit of £85,000 across all the accounts a customer holds. If immediately prior to the time of the transfer a customer has eligible deposits with: (i) Sainsbury's Bank with a balance above the FSCS protection limit; or (ii) Sainsbury's Bank and NatWest (including Ulster Bank Northern Ireland) with an aggregate balance above the FSCS protection limit (each an "**Impacted FSCS Customer**"), such Impacted FSCS Customer will be able to make a withdrawal or transfer to another authorised firm of all or part of the eligible deposits from their account(s) with Sainsbury's Bank, NatWest and/or Ulster Bank Northern Ireland (as applicable).

7.3 An Impacted FSCS Customer will be entitled to make a withdrawal or transfer referred to in paragraph 7.2 above free from any penalty, fee or charge which may otherwise apply and without complying with any requirement to give notice which such Impacted FSCS Customer may otherwise be subject, for a period of three months starting from one month prior to the Relevant Date until two months thereafter. This is unless the deposits related to an account subject to sanctions or an active freezing order.

8 Data Protection, Confidentiality and Marketing Preferences

8.1 As part of the Scheme, personal data relating to, and necessary to operate, the transferring accounts of customers of the Transferring Business will transfer to NatWest who will become the data controller in respect of such personal data in place of Sainsbury's Bank.

- 8.2** The Scheme shall not be deemed to transfer any right to process personal data of customers of the Transferring Business that will transfer to NatWest or to send any direct marketing communication to the extent it would be unlawful under data protection legislation.
- 8.3** Customers of the Transferring Business will be notified individually of the transfer of personal data referred to in paragraph 8.1 as part of the Scheme communications, which will include information of the change set out in paragraph 8.4.2.
- 8.4** As a consequence of the Scheme, from the Relevant Date:
- 8.4.1** any information made available to, or consent obtained or request or other notice received from, any individual by, or on behalf of, Sainsbury's Bank in respect of personal data that is transferring to NatWest will be deemed to have been made available, obtained or received by NatWest; and
- 8.4.2** any reference in any information, consent, request or other notice given to or by individuals pursuant to data protection legislation in respect of personal data that is transferring to NatWest:
- (i) to Sainsbury's Bank will be construed to include a reference to NatWest; and
- (ii) to the Sainsbury's Bank group will be construed to include a reference to the NatWest group, which will extend to all entities in the NatWest group, including those trading as Coutts, Holt's Military Banking, FreeAgent, Royal Bank of Scotland and Ulster Bank Northern Ireland.
- 8.5** NatWest shall be subject to, and owe, the same duties of confidentiality and privacy in respect of each part of the Transferring Business, as Sainsbury's Bank was subject to and owed immediately prior to the Relevant Date.
- 8.6** If the terms and conditions applicable to any part of the Transferring Business prohibit or restrict Sainsbury's Bank or NatWest from sharing information with each other, such prohibitions or restrictions shall be deemed to not apply and Sainsbury's Bank and NatWest shall be permitted to share such information with each other.
- 8.7** Individuals may, in respect of personal data that is transferring to NatWest, make a request to Sainsbury's Bank to exercise their rights under data protection legislation. If an individual has made such a request to Sainsbury's Bank before the Relevant Date and this has not been responded to before the Relevant Date, NatWest may, in its sole discretion, respond to the request in accordance with data protection legislation, including by providing copies of the personal data held by Sainsbury's Bank immediately before the Relevant Date and which has transferred to NatWest as a consequence of the Scheme. If NatWest has responded to a request by an individual to exercise their rights under data protection legislation, then Sainsbury's Bank shall not be required, as between Sainsbury's Bank and NatWest, to respond to such request.
- 8.8** Where a customer of the Transferring Business has made a request to exercise their rights under data protection legislation to NatWest before the Relevant Date which has not been responded to before the Relevant Date, NatWest may exclude personal data which has transferred to NatWest as a consequence of the Scheme from its response to the customer.
- 8.9** With effect from the Relevant Date, NatWest shall have the benefit of any marketing preferences provided to Sainsbury's Bank or its affiliates (to the extent Sainsbury's Bank had reliance on marketing preferences provided to affiliates and excluding any preferences provided to Nectar 360 Limited in relation to the customer loyalty rewards programme

administered by Nectar 360 Limited) on the same terms as Sainsbury's Bank had prior to the Relevant Date. Where a customer of the Transferring Business has provided marketing preferences to each of Sainsbury's Bank and NatWest in respect of the same marketing purposes, the marketing preference recorded by NatWest shall apply, whether or not it is the same as the preference provided by that customer to Sainsbury's Bank.

9 Modifications to the Scheme

9.1 At any time after the sanctioning of the Scheme, Sainsbury's Bank and NatWest can apply to the Court for any modification or addition to the Scheme provided that both the PRA and FCA are notified in advance of, and have the right to attend and be heard at, any hearing of the Court at which such application is considered. Subject to paragraph 9.2 below, any such changes will only be effective if approved by the Court.

9.2 In the case of amendments which are minor/technical or are to correct manifest errors, such amendments may be made without the consent of the Court provided that the PRA and the FCA have been notified of the proposed amendment and no objection is received by Sainsbury's Bank or NatWest from the PRA or the FCA within 30 days of such notification.

10 Costs

Sainsbury's Bank and NatWest will be responsible for all costs of implementing the Scheme and customers will not bear any such costs.

11 Governing law

The Scheme is governed by English law.

12 Further Information

12.1 This Explanatory Statement and the Scheme Document contain important information. A copy of the Scheme Document together with copies of other relevant documents are available from the following website www.sainsburysbank.co.uk/transfer-scheme and will also be made available free of charge from the address set out below. Alternatively, you may request free copies of any of the relevant documents or ask further questions by contacting us by phone, post or email at the addresses or telephone numbers shown below:

12.1.1 By phone

- (i) 0800 0142 131 (if calling from within the UK) or +44 800 0142 131 (if calling from overseas). Lines will be open from 8:00 to 20:00 (UK time), Monday to Friday and 8:00 to 18:00 (UK time), Saturday and Sunday (excluding bank holidays).
- (ii) Calls may be monitored or recorded. Calls to 0800 numbers from UK landlines are free. The costs from mobile phones may vary. If you are calling from abroad, please check with your service provider for the cost of calling this number from overseas.

12.1.2 By post

- (i) Sainsbury's Bank Part VII
PO Box 5311

Worthing
BN11 9BW

12.1.3 By email

(i) sbtransferscheme@sainsburysbank.co.uk

- 12.2** If you are in any doubt as to the meaning or import of the contents of this Explanatory Statement or the Scheme Document, or if you require further advice, you are recommended to seek advice from your own solicitor or other professional adviser immediately.
- 12.3** You may request a copy of this Explanatory Statement in braille, large print or audio by using the contact information provided above.