CLYDESDALE BANK PLC
(incorporated with limited liability in Scotland)
The trading name of Clydesdale Bank PLC is Virgin Money

€10 billion
Global Covered Bond Programme unconditionally and irrevocably guaranteed as to payments of interest and principal by
Eagle Place Covered Bonds LLP
(a limited liability partnership incorporated in England and Wales)

Under the €10 billion covered bond programme described in this Prospectus (the "**Programme**"), Clydesdale Bank PLC[1] (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue bonds (the "**Covered Bonds**") denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below). The price and amount of the Covered Bonds to be issued under the Programme will be determined by the Issuer and the relevant Dealers at the time of issue in accordance with prevailing market conditions.

Eagle Place Covered Bonds LLP (the "**LLP**") has guaranteed payments of interest and principal under the Covered Bonds pursuant to a guarantee which is secured over the Mortgage Portfolio (as defined below) and its other assets. Recourse against the LLP under its guarantee is limited to the Mortgage Portfolio and such assets.

Covered Bonds may be issued in bearer or registered form. The aggregate nominal amount of Covered Bonds outstanding under the Programme will not at any time exceed €10 billion (or the equivalent in other currencies), subject to any increase as provided herein.

The Covered Bonds may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer(s) appointed under the Programme from time to time by the Issuer (each, a "**Dealer**" and together, the "**Dealers**"), which appointment may be to a specific issue or on an ongoing basis. References in this Prospectus to the "**relevant Dealers**" shall, in the case of an issue of Covered Bonds being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Covered Bonds.

This Prospectus has been approved as a base prospectus by the Financial Conduct Authority (the "**FCA**"), as competent authority under Regulation (EU) 2017/1129 as amended and as it forms part of the UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended, ("**EUWA**") (the "**UK Prospectus Regulation**"). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or the LLP or the quality of the Covered Bonds that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Covered Bonds.

Application has been made to the FCA for Covered Bonds issued under the Programme during the period of twelve months after the date of this Prospectus to be admitted to the Official List of the FCA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Covered Bonds to be admitted to trading on the main market of the London Stock Exchange which is a "UK regulated market" for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as amended and as it forms part of the UK domestic law by virtue of the EUWA ("**UK MiFIR**") (the "**main market of the London Stock Exchange**"). References in this Prospectus to Covered Bonds being "**listed**" (and all related references) shall mean that such Covered Bonds have been admitted to trading on the main market of the London Stock Exchange and have been admitted to the Official List. Notice of the aggregate nominal amount of Covered Bonds, interest (if any) payable in respect of Covered Bonds, the issue price of Covered Bonds and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Covered Bonds*") of Covered Bonds will be set out in a separate document containing the Final Terms for that Tranche which, with respect to Covered Bonds to be admitted to the Official List and admitted to trading by the London Stock Exchange, will be delivered to the FCA and the London Stock Exchange on or before the date of issue of such Tranche of Covered Bonds.

This Prospectus is valid for 12 months from its date in relation to Covered Bonds which are to be admitted to trading on a "UK regulated market" for the purposes of UK MiFIR. The obligation to supplement this Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Prospectus is no longer valid.

Clydesdale Bank PLC has been admitted to the register of issuers and the Programme has been admitted to the register of regulated covered bonds, under the Regulated Covered Bonds Regulations 2008 (SI 2008/346) as amended by the Regulated Covered Bonds (Amendment) Regulations 2008 (SI 2008/1714), the Regulated Covered Bonds (Amendment) Regulations 2011 (SI 2011/2859) and the Regulated Covered Bonds (Amendment) Regulations 2012 (SI 2012/2977) and as amended further from time to time (the "**RCB Regulations**").

Investing in Covered Bonds issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Covered Bonds are discussed under "*Risk Factors*" below.

---

[1] The trading name of Clydesdale Bank PLC is Virgin Money.

The Covered Bonds and the Covered Bond Guarantee (as defined below) have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and the Covered Bonds in bearer form are subject to U.S. tax law requirements. See "*Form of the Covered Bonds*" for a description of the manner in which Covered Bonds will be issued. Registered Covered Bonds are subject to certain restrictions on transfer, see "*Subscription and Sale and Transfer and Selling Restrictions*" The Covered Bonds may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except in certain transactions exempt from the registration requirements of the Securities Act. The Covered Bonds may be offered and sold (a) in bearer form or registered form outside the United States to persons that are not U.S. persons in reliance of Regulation S and (b) in registered form within the United States to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act ("**Rule 144A**")) (each a "**QIB**") in reliance on Rule 144A, or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Prospective purchasers who are QIBs are hereby notified that sellers of the Covered Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See "*Subscription and Sale and Transfer and Selling Restrictions*".

The Issuer and the LLP may agree with any Dealer and the Bond Trustee that Covered Bonds may be issued in a form not contemplated by the Conditions of the Covered Bonds herein, in which event (in the case of Covered Bonds admitted to the Official List only) a supplementary prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Covered Bonds.

Each Series of Covered Bonds issued under the Programme will have the rating set out in the applicable Final Terms. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The rating of certain Series of Covered Bonds to be issued under the Programme will be specified in the applicable Final Terms. The credit ratings included and referred to in this Prospectus have been issued by Fitch Ratings Limited ("**Fitch**") and/or Moody's Investors Service Ltd ("**Moody's**") each of which is a credit rating agency established in the United Kingdom and registered under Regulation (EC) No 1060/2009 as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). Each of Fitch and Moody's are included in the list of credit rating agencies published by the FCA on its website in accordance with the UK CRA Regulation. Accordingly, the ratings issued by Fitch and Moody's have been endorsed by Fitch Ratings Ireland Limited and Moody's Deutschland GmbH respectively in accordance with Regulation (EC) 1060/2009 (as amended) (the "**EU CRA Regulation**") and have not been withdrawn. Each of Moody's Deutschland GmbH and Fitch Ratings Ireland Limited is established in the European Union and registered under the EU CRA Regulation. As such, each of Moody's Deutschland GmbH and Fitch Ratings Ireland Limited is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the EU CRA Regulation. In general, European regulated investors are restricted under the EU CRA Regulation from using a rating for regulatory purposes, unless such rating is issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant non-EEA rating agency is certified in accordance with the EU CRA Regulation (and such endorsement or certification, as the case may be, has not been withdrawn or suspended). Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note that this is subject, in each case, to the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended.

Interest and/or other amounts payable under the Covered Bonds may be calculated by reference to certain reference rates, which may constitute a benchmark under Regulation (EU) 2016/1011, as amended and as it forms part of the UK domestic law by virtue of the EUWA (the "**UK Benchmarks Regulation**"). If any such reference rate does constitute such a benchmark, the applicable Final Terms will indicate whether or not the administrator thereof is included in the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 of the UK Benchmarks Regulation. Not every reference rate will fall within the scope of the UK Benchmarks Regulation. Furthermore, transitional provisions in the UK Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administers and benchmarks at the date of the applicable Final Terms. The registration status of any administrator under the UK Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update any Final Terms to reflect any change in the registration status of any administrator.

NEITHER THE PROGRAMME NOR THE COVERED BONDS HAVE BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF ANY OFFERING OF COVERED BONDS OR THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

AN INVESTMENT IN THE COVERED BONDS IS NOT SUBJECT TO RESTRICTION UNDER THE U.S. VOLCKER RULE AS AN INVESTMENT IN AN OWNERSHIP INTEREST IN A COVERED FUND.

Arrangers for the Programme

BNP PARIBAS **HSBC**

Dealers

BNP PARIBAS **HSBC**

5 December 2024

CONTENTS

Page

IMPORTANT NOTICES 1
PRINCIPAL CHARACTERISTICS OF THE PROGRAMME 8
INFORMATION INCORPORATED BY REFERENCE 10
STRUCTURE OVERVIEW 12
OWNERSHIP STRUCTURE OF EAGLE PLACE COVERED BONDS LLP 17
OWNERSHIP STRUCTURE OF THE LIQUIDATION MEMBER 18
OVERVIEW OF THE PROGRAMME 19
RISK FACTORS 27
FINAL TERMS AND DRAWDOWN PROSPECTUSES 93
FORM OF THE COVERED BONDS 94
TERMS AND CONDITIONS OF THE COVERED BONDS 98
FORM OF FINAL TERMS 146
USE OF PROCEEDS 156
INFORMATION ON THE ISSUER 157
THE LLP 165
INFORMATION RELATING TO THE REGULATION OF THE MORTGAGES IN THE UK 167
SUMMARY OF THE PRINCIPAL DOCUMENTS 181
KEY RATING TRIGGERS TABLE 222
CREDIT STRUCTURE 226
CASHFLOWS 229
THE MORTGAGE PORTFOLIO 240
DESCRIPTION OF THE UK REGULATED COVERED BOND REGIME 245
DESCRIPTION OF LIMITED LIABILITY PARTNERSHIPS 247
BOOK-ENTRY CLEARANCE SYSTEMS 248
TAXATION 251
CERTAIN UNITED STATES REGULATORY CONSIDERATIONS 254
SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS 255
GENERAL INFORMATION 264
GLOSSARY 266
INDEX OF DEFINED TERMS 295

IMPORTANT NOTICES

Responsibility for this Prospectus

The Issuer and the LLP accept responsibility for the information contained in this Prospectus and any Final Terms (as defined below) and each declares that to the best of the knowledge of each of the Issuer and the LLP the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import. Any information sourced from third parties contained in this Prospectus has been accurately reproduced (and is clearly sourced where it appears in the document) and, as far as each of the Issuer and the LLP are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Final Terms/Drawdown Prospectus

Each Tranche (as defined herein) of Covered Bonds will be issued on the terms set out herein under "*Terms and Conditions of the Covered Bonds*" (the "**Conditions**") as completed by a document specific to such Tranche called final terms (the "**Final Terms**") or in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**"), as described under "*Final Terms and Drawdown Prospectuses*" below.

Copies of each set of Final Terms in relation to Covered Bonds issued pursuant to this Prospectus will be available from the registered office of the Issuer and from the specified office set out below of each of the Paying Agents (as defined below) and will also be published on the website of the London Stock Exchange through a regulatory information service.

Other relevant information

This Prospectus must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Covered Bonds which is the subject of Final Terms, must be read and construed together with the relevant Final Terms. In the case of a Tranche of Covered Bonds which is the subject of a Drawdown Prospectus, each reference in this Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

The Issuer and the LLP have confirmed to the Dealers named under "*Subscription and Sale and Transfer and Selling Restrictions*" below that this Prospectus contains all information which is (in the context of the Programme and the issue, offering and sale of the Covered Bonds) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that this Prospectus does not omit to state any material fact necessary to make such information (in the context of the Programme and the issue, offering and sale of the Covered Bonds) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Information Incorporated by Reference*"), the information on the websites to which this Prospectus refers does not form part of this Prospectus and has not been scrutinised or approved by the FCA.

Unauthorised information

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any information supplied by the Issuer and the LLP and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the LLP, the Arrangers or any Dealer.

None of the Arrangers, the Dealers, the Bond Trustee, the Security Trustee nor any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus. Each Arranger, each Dealer, the Bond Trustee and the Security Trustee accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Prospectus. Neither the delivery of this Prospectus nor any Final Terms nor the offering, sale or delivery of any Covered Bond shall, in any circumstances, create any implication that the information contained in this Prospectus is true subsequent to the date hereof or the date upon which this Prospectus has been most recently supplemented or that there has

been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer or the LLP since the date thereof or, if later, the date upon which this Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Arrangers, the Dealers, the Bond Trustee and the Security Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or the LLP during the life of the Programme nor to advise any investor or potential investor in the Covered Bonds of any information coming to the attention of any of the Arrangers, the Dealers, the Bond Trustee or the Security Trustee. Investors should review, *inter alia*, the most recent published financial statements of the Issuer and the LLP when evaluating the Covered Bonds.

Restrictions on distribution

The distribution of this Prospectus and any Final Terms, and the offering, sale and delivery of the Covered Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus or any Final Terms comes are required by the Issuer, the Arrangers and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Covered Bonds and on the distribution of this Prospectus or any Final Terms and other offering material relating to the Covered Bonds, see "*Subscription and Sale and Transfer and Selling Restrictions*".

In particular, the Covered Bonds have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and Covered Bonds in bearer form are subject to U.S. tax law requirements. The Covered Bonds may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in certain transactions exempt from, or in transactions not subject to, the registration requirements of the Securities Act.

The Covered Bonds may be offered and sold (A) in bearer form or registered form outside the United States to non-U.S. persons in reliance on Regulation S and (B) in registered form within the United States to QIBs in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of the Covered Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of Covered Bonds, see "*Subscription and Sale and Transfer and Selling Restrictions*".

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Covered Bonds may include a legend entitled "**MiFID II Product Governance**" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 as amended (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MIFIR PRODUCT GOVERNANCE/TARGET MARKET

The Final Terms in respect of any Covered Bonds will include a legend entitled "**UK MiFIR Product Governance**" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered

Bonds, but otherwise none of the Arrangers, the Dealers and any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of (EU) 2016/97 as amended (the "**EU Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making the Covered Bonds available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA.

Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

None of this Prospectus, any Final Terms or any document incorporated by reference herein constitutes an offer or an invitation to subscribe for or purchase any Covered Bonds and should not be considered as a recommendation by the Issuer, the LLP, the Arrangers, the Dealers, the Bond Trustee, the Security Trustee or any of them that any recipient of this Prospectus or any Final Terms should subscribe for or purchase any Covered Bonds. Neither this Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation. Each recipient of this Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

Each potential investor in any Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Covered Bonds, the merits and risk of investing in the relevant Covered Bonds and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Covered Bonds and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Covered Bonds, including Covered Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;

(iv) understand thoroughly the terms of the relevant Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Covered Bonds are complex financial instruments and such instruments may be purchased by investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Covered Bonds unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Covered Bonds will perform under changing conditions, the resulting effects on the value of such Covered Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) Covered Bonds are legal investments for it; (ii) Covered Bonds can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Covered Bonds. Investors should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules. The Covered Bonds will not be "mortgage related securities" for purposes of the U.S. Secondary Mortgage Market Enhancement Act of 1984, as amended.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT 2001 OF SINGAPORE

The Final Terms in respect of any Covered Bonds may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Covered Bonds pursuant to section 309B(1) of the Securities and Futures Act 2001 of Singapore as modified or amended from time to time (the "**SFA**"). The Issuer will make a determination in relation to each issue about the classification of the Covered Bonds being offered for purposes of section 309B(1)(a) of the SFA. Any such legend included on the relevant Final Terms will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA.

NOTICE TO AUSTRALIAN INVESTORS

Neither the Issuer nor the LLP is a bank or an authorised deposit-taking institution which is authorised under the Banking Act 1959 (Cth) of Australia (the "**Australian Banking Act**"), nor is either of them authorised to carry on banking business under the Australian Banking Act. The Covered Bonds are not obligations of any government and, in particular, are not guaranteed by the Commonwealth of Australia. Neither the Issuer nor the LLP is supervised by the Australian Prudential Regulation Authority. Covered Bonds that are offered for issue or sale or transferred in, or into, Australia are offered only in circumstances that would not require disclosure to investors under Part 6D.2 or Part 7.9 of the Corporations Act 2001 (Cth) of Australia (the "**Australian Corporations Act**") and issued and transferred in compliance with the terms of the exemption from compliance with section 66 of the Australian Banking Act that is available to the Issuer. Such Covered Bonds are issued or transferred in, or into, Australia in parcels of not less than A$500,000 in aggregate principal amount. An investment in any Covered Bonds issued by the Issuer will not be covered by the depositor protection provisions in section 13A of the Australian Banking Act and will not entitle Covered Bondholders to claim under the financial claims scheme under Division 2AA of the Australian Banking Act.

NOTICE TO CANADIAN INVESTORS

The Covered Bonds may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations and that are not created or used solely to purchase or hold securities as an accredited investor described in paragraph (m) of the definition of "accredited investor". Any resale of the Covered Bonds must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any supplement thereto and/or any Final Terms) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should

refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Neither the Issuer nor the LLP is a member institution of the Canada Deposit Insurance Corporation. The liability incurred by the Issuer through the issuance and sale of the Covered Bonds is not a deposit. Neither the Issuer nor the LLP are regulated as financial institutions in Canada.

Upon receipt of this document, each Canadian purchaser hereby confirms its express wish that all documents evidencing or relating to the sale of the Covered Bonds and all other contracts and related documents be drafted in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme sa volonté expresse que tous les documents attestant de la vente des valeurs mobilières ou s'y rapportant ainsi que tous les autres contrats et documents s'y rattachant soient rédigés en langue anglais seulement.*

SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES

The Issuer and the LLP are each duly incorporated under the laws of England and Wales. Substantially all of the Issuer's and the LLP's directors and executive officers are non-residents of the United States. A substantial portion of the assets of the Issuer and of its directors and officers are located outside the United States. As a result, it may not be possible for an investor to effect service of process within the United States upon those persons or to enforce against them judgements of U.S. courts based upon the civil liability provisions of the federal securities laws of the United States.

U.S. INFORMATION

The Covered Bonds and the Covered Bond Guarantee have not been approved or disapproved by the SEC or any other state securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved or disapproved this Prospectus or confirmed the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense in the United States.

The Covered Bonds in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to, or for the account or benefit of, United States persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this section have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

In making an investment decision, investors must rely on their own examination of the Issuer and the LLP and the terms of the Covered Bonds being offered, including the merits and risks involved.

This Prospectus may be provided on a confidential basis in the United States to a limited number of QIBs for informational use solely in connection with their consideration of the purchase of the Covered Bonds being offered hereby. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Registered Covered Bonds may be offered or sold within the United States only to QIBs in transactions exempt from registration under the Securities Act.

Each purchaser or holder of Covered Bonds represented by a Rule 144A Global Covered Bond or any Covered Bonds issued in registered form in exchange or substitution therefor, will be deemed, by its acceptance or purchase of any such Covered Bond, to have made certain representations and agreements intended to restrict the resale or other transfer of such Covered Bonds as set out in "*Subscription and Sale and Transfer and Selling Restrictions*". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Form of the Covered Bonds*".

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Covered Bonds that are "restricted securities" within the meaning of the Securities Act, each of the Issuer and the LLP has undertaken in the Trust Deed (as defined under "*Terms and Conditions of the Covered Bonds*") to furnish, upon the request of a holder of such Covered Bonds or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Covered Bonds remain outstanding as

"restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act and each of the Issuer and the LLP is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, (the "Exchange Act") nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

By requesting copies of any of the documents referred to herein, each potential purchaser agrees to keep confidential the various documents and all written information clearly labelled "Confidential" which from time to time have been or will be disclosed to it concerning the LLP or the Issuer or any of their affiliates, and agrees not to disclose any portion of the same to any person.

FORWARD-LOOKING STATEMENTS

Certain information contained in this Prospectus and any documents incorporated by reference, including any information as to the Issuer's strategy, market position, plans or future financial or operating performance, constitutes "forward looking statements". All statements, other than statements of historical fact, are forward looking statements. These forward looking statements may be identified by the use of forward looking terminology, including the terms "believe", "expect", "anticipate", "contemplate", "target", "plan", "intend", "continue", "budget", "project", "aim", "estimate", "may", "will", "could", "should", "seeks", "predicts", "schedule" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plan, objectives, goals, future events or intentions.

Forward looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Issuer, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward looking statements. Such factors include, but are not limited to: general economic and business conditions in the UK and internationally; inflation, deflation, interest rates and policies of the Bank of England, the European Central Bank and other G8 central banks; fluctuations in exchange rates, stock markets and currencies; changes to the Issuer's credit ratings; changing demographic developments, including mortality and changing customer behaviour, including consumer spending, saving and borrowing habits; changes in customer preferences; changes to borrower or counterparty credit quality; instability in the global financial markets, including the Economic and Monetary Union (the "**Eurozone**") instability and the impact of any sovereign credit rating downgrade or other sovereign financial issues; technological changes; natural and other disasters, adverse weather and similar contingencies outside the Issuer's control; inadequate or failed internal or external processes, people and systems; terrorist acts and other acts of war or hostility and responses to those acts; geopolitical, pandemic or other such events; changes in laws, regulations, taxation, accounting standards or practices; regulatory capital or liquidity requirements and similar contingencies outside the Issuer's control; the policies and actions of governmental or regulatory authorities in the UK, the European Union, the U.S. or elsewhere; the ability to attract and retain senior management and other employees; the extent of any future impairment charges or write downs caused by depressed asset valuations, market disruptions and illiquid markets; market relating trends and developments; exposure to regulatory scrutiny, legal proceedings, regulatory investigations or complaints; changes in competition and pricing environments; the inability to hedge certain risks economically; the adequacy of loss reserves; the actions of competitors, including non-bank financial services and lending companies; and the success of the Issuer in managing the risks of the foregoing.

Investors are cautioned that forward looking statements are not guarantees of future performance. Forward looking statements may, and often do, differ materially from actual results. Any forward looking statements in this Prospectus speak only as of the date they are made, reflect the view of the Issuer's Board of Directors as of the date they are made with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Issuer's operations, results of operations, strategy, capital and leverage ratios and the availability of new funding. Investors should specifically consider the factors identified in this Prospectus that could cause actual results to differ before making an investment decision. All of the forward looking statements made in this Prospectus are qualified by these cautionary statements.

Except as required by the Prudential Regulation Authority (the "PRA"), the FCA, the London Stock Exchange or applicable law, the Issuer explicitly disclaims any intention or obligation or undertaking publicly to release the result of any revisions to any forward looking statements in this Prospectus that may occur due to any change in the Issuer's expectations or to reflect events or circumstances after the date of it.

Certain definitions

In this Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the EEA, references to "**£**", "**GBP**", "**Sterling**" or "**pounds Sterling**" are to the lawful currency for the time being of the United Kingdom, references to "**€**", "**EUR**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended, references to "**U.S.$**", "**U.S. dollars**" or "**dollars**" are to United States dollars and references to "**A$**" are to the lawful currency of Australia.

In this Prospectus, references to the "**Group**" are to Virgin Money UK PLC ("**VMUK**") and its subsidiaries taken as a whole. References to "**Nationwide**" are to Nationwide Building Society and references to the "**Nationwide Group**" are to Nationwide and its subsidiary undertakings as a whole. References to the "**Combined Group**" are to the Nationwide Group, including the Group, taken as a whole. Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Stabilisation

In connection with the issue of any Tranche of Covered Bonds, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds at a level higher than that which might otherwise prevail. However, stabilisation may not occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Covered Bonds is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Covered Bonds and 60 days after the date of the allotment of the relevant Tranche of Covered Bonds. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

Market, economic and industry data

This Prospectus contains information regarding Issuer's business and the industry in which they operate and compete, some of which the Issuer has obtained from third-party sources. Issuer and other institutions operating in the financial services industry make available a wide range of financial and operational information to regulatory and market bodies, including the Bank of England and the Council of Mortgage Lenders. These bodies use the data supplied to publish market share statistics relating to retail mortgage lending and savings, among other matters. However, no assurance can be made that the information reported to these bodies by different market participants is, in all cases, directly comparable.

In some cases, independently determined industry data is not available. In these cases, any Issuer market share included in this Prospectus is referred to as having been estimated. All such estimates have been made by the Issuer, using its own information and other market information which is publicly available. All such estimations have been made in good faith based on the information available and the Issuer's knowledge of the market within which it operates.

Where third-party information has been used in this Prospectus, the source of such information has been identified. With respect to such third-party information, this information has been accurately reproduced and so far as the Issuer is aware and able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In the case of the presented economic and statistical information, similar information may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source.

Where information has not been independently sourced, it is the Issuer's own information.

No incorporation of website information

The Issuer's website is https://www.virginmoneyukplc.com/. The information on this website or any website directly or indirectly linked to this website has not been verified and is not incorporated by reference into this Prospectus and investors should not rely on it.

PRINCIPAL CHARACTERISTICS OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Series of Covered Bonds, the applicable Final Terms.

This overview constitutes a general description of the Programme for the purposes of Article 25(1) of Commission Delegated Regulation (EU) No 2019/980 as amended and as it forms part of UK domestic law by virtue of the **EUWA**.

Words and expressions defined in "*Form of the Covered Bonds*" and "*Terms and Conditions of the Covered Bonds*" shall have the same meanings in this overview.

Issuer:	Clydesdale Bank PLC[2]
Issuer Legal Entity Identifier (LEI):	NHXOBHMY8K53VRC7MZ54
LLP:	Eagle Place Covered Bonds LLP
Regulated Covered Bonds:	The Issuer has been admitted to the register of issuers and the Programme has been admitted to the register of regulated covered bonds under the RCB Regulations.
Nature of eligible property:	Residential mortgage loans, Substitution Assets up to the prescribed limit and Authorised Investments
Location of eligible residential property underlying Mortgage Loans:	England, Wales or Scotland
Maximum Current Balance to Indexed Valuation ratio given credit under the Asset Coverage Test:	The lower of (1) 75.0 per cent., (2) the maximum LTV amount applicable to residential mortgage loans specified in the RCB Regulations and (3) the maximum LTV amount applicable to residential mortgage loans specified in CRD IV.
Maximum Asset Percentage:	92.5 per cent.
Asset Coverage Test:	As set out on page 275.
Statutory minimum overcollateralisation	The eligible property in the asset pool must be more than 108 per cent. of the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds
Amortisation Test:	As set out on page 275.
Extended Maturities:	Available
Asset Monitor:	KPMG LLP
Asset Segregation:	Yes
Single / Multi Asset Pool designation:	Single Asset Pool, consisting of residential mortgage loans and liquid assets.
Substitution Assets:	Asset backed securities are not eligible property and cannot form part of the Asset Pool.

[2] The trading name of Clydesdale Bank PLC is Virgin Money.

As set out on page 300, Substitution Assets include (a) Sterling gilt-edged securities, (b) Sterling demand or time deposits (subject to certain requirements); and (c) Sterling denominated government and public securities, (subject to certain requirements), provided that such Substitution Assets comply with the requirements of Regulation 2(1A) of the RCB Regulations.

INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Prospectus:

(a) the unaudited Interim Condensed Consolidated Financial Statements and the Independent Review Report in respect of the year ended 30 September 2024 set out on pages 45 to 72 (inclusive) of the Issuer's Interim Financial Report for the 6 months to 30 September 2024 (the "**September 2024 Issuer Interim Financial Report**");

(b) the glossary set out on pages 73 to 74 (inclusive) of the Issuer's Interim Financial Report for the 6 months to 30 September 2024;

(c) the tables entitled "Summary balance sheet", "Summary income statement" and "Notable items" set out on pages 1 to 2 (inclusive) of the Issuer's Interim Financial Report for the 6 months to 30 September 2024;

(d) the section entitled "Risk Management" set out on pages 4 to 43 (inclusive) of the Issuer's Interim Financial Report for the 6 months to 30 September 2024;

(e) the audited consolidated financial statements and the independent auditor's audit report of the Issuer in respect of the year ended 30 September 2023 set out on pages 102 to 180 (inclusive) of the Issuer's 2023 Annual Report and Consolidated Financial Statements (the "**2023 Issuer Audited Financial Statements**");

(f) the glossary and the section on country by country reporting set out on pages 181 to 188 (inclusive) of the Issuer's 2023 Annual Report and Consolidated Financial Statements;

(g) the tables entitled "Summary balance sheet as at 30 September" and "Summary income statement – underlying and statutory basis for the year ended 30 September" set out on page 3 of the Issuer's 2023 Annual Report and Consolidated Financial Statements;

(h) the section entitled "Risk Report" set out on pages 11 to 91 (inclusive) of the Issuer's 2023 Annual Report and Consolidated Financial Statements (the "**2023 Issuer Risk Report**");

(i) the audited consolidated financial statements and the independent auditor's audit report of the Issuer in respect of the year ended 30 September 2022 set out on pages 106 to 186 (inclusive) of the Issuer's 2022 Annual Report and Accounts (the "**2022 Issuer Audited Financial Statements**");

(j) the glossary and the section on country by country reporting set out on pages 187 to 194 (inclusive) of the Issuer's 2022 Annual Report and Accounts;

(k) the section entitled "Risk Report" set out on pages 12 to 93 (inclusive) of the Issuer's 2022 Annual Report and Consolidated Financial Statements (the "**2022 Issuer Risk Report**");

(l) ((a) to (d) and (f) to (g) together, the "**Issuer Financial Statements**" and (e) and (h) together, the "**Issuer Risk Reports**");

(m) The audited financial statements of the LLP for the financial period ended 30 September 2023, together with the audit report thereon (the "**LLP 2023 Annual Report**");

(n) The audited financial statements of the LLP for the financial period ended 30 September 2022, together with the audit report thereon (the "LLP 2022 Annual Report"); and

(o) the sections entitled "*Terms and Conditions of the Covered Bonds*" set out on pages 89 to 128 (inclusive) of the prospectus dated 9 April 2018, pages 99 to 144 (inclusive) of the prospectus dated 5 March 2019, pages 96 to 140 (inclusive) of the prospectus dated 19 March 2020, pages 102 to 147 (inclusive) of the prospectus dated 5 August 2021, pages 96 to 141 (inclusive) of the prospectus dated 10 December 2021, pages 94 to 139 (inclusive) of the prospectus dated 28 November 2022 and pages 95 to 144 (inclusive) of the prospectus dated 13 December 2023 (for the avoidance of doubt, the applicable Final Terms for a Series or Tranche of Covered Bonds will indicate the Terms and Conditions applicable to such Series or Tranche and unless otherwise indicated in the applicable Final Terms, the Terms and Conditions of all Covered Bonds issued after the date hereof shall be those set out in full in this Prospectus). The remaining

portions of the prospectuses dated 9 April 2018, 5 March 2019, 19 March 2020, 5 August 2021, 10 December 2021, 28 November 2022 and 13 December 2023 are not relevant for prospective investors.

The documents listed above are available at https://www.virginmoneyukplc.com/investor-relations/. Copies of the documents specified above as containing information incorporated by reference in this Prospectus may be inspected, free of charge during normal business hours on weekdays at the registered office of the Issuer at 177 Bothwell Street, Glasgow, Scotland G2 7ER.

Any information contained in any of the documents specified above which is not incorporated by reference in this Prospectus is either not relevant to investors or is covered elsewhere in this Prospectus.

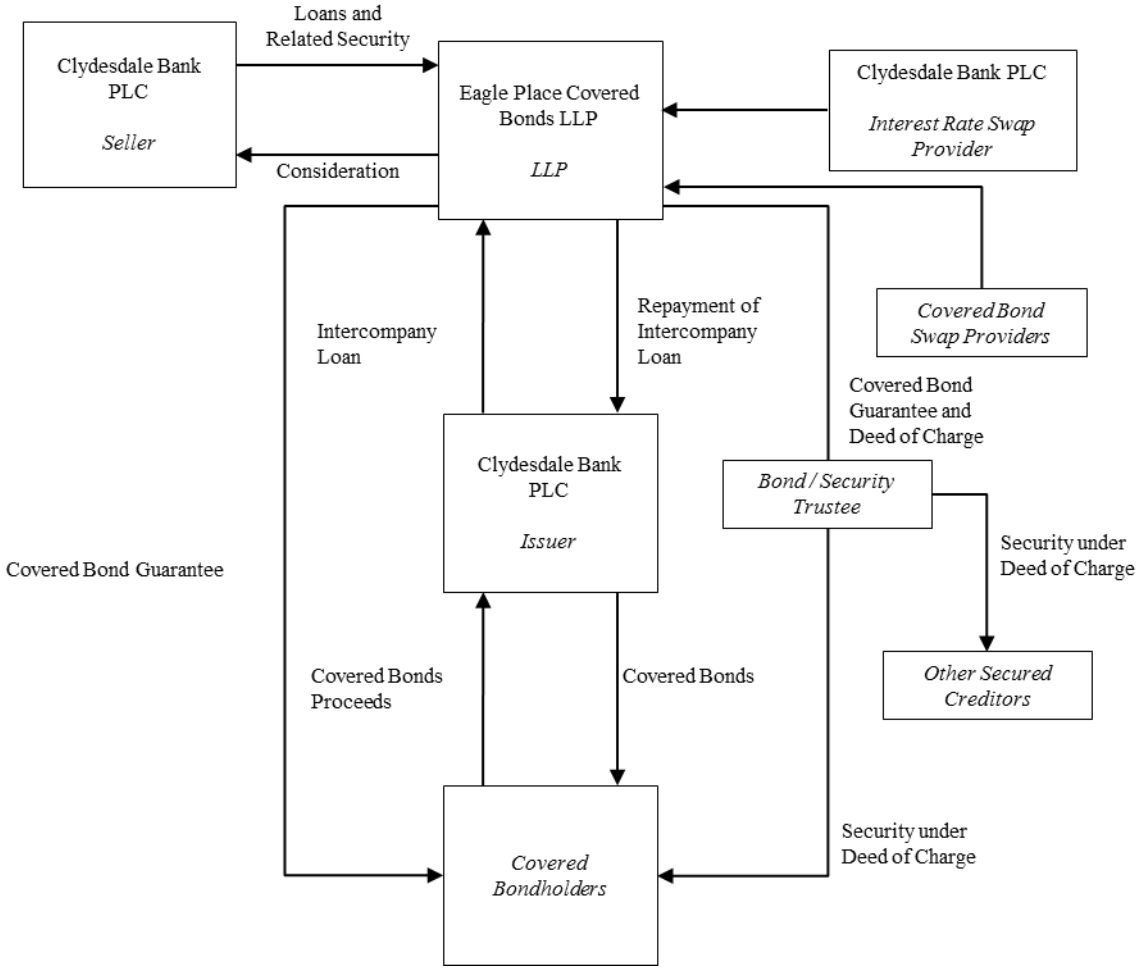
Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

The Issuer's website is https://www.virginmoneyukplc.com/. The information on these websites or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Prospectus and investors should not rely on it.

STRUCTURE OVERVIEW

The following Structure Overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Covered Bonds, the applicable Final Terms. Words and expressions defined elsewhere in this Prospectus shall have the same meanings in this overview. A glossary of certain defined terms is contained at the end of this Prospectus.

Structure Diagram[3]



Structure Overview

1. *Programme*: Under the terms of the Programme, the Issuer will issue Covered Bonds to the Covered Bondholders on each Issue Date. The Covered Bonds will be direct, unconditional, unsecured and unsubordinated obligations of the Issuer.

2. *Intercompany Loan Agreement*: Under the terms of the Intercompany Loan Agreement, the Issuer will make Term Advances to the LLP in an amount equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding on the Issue Date of each Series or, as applicable, Tranche of Covered Bonds. Payments by the Issuer of amounts due under the Covered Bonds are not conditional upon receipt by the Issuer of payments from the LLP pursuant to the Intercompany Loan Agreement. Amounts owed by the LLP under the Intercompany Loan Agreement will be subordinated to any amounts owed by the LLP under the Covered Bond Guarantee.

[3] The trading name of Clydesdale Bank PLC is Virgin Money

3. *Covered Bond Guarantee*: Under the terms of the Trust Deed, the LLP has provided a guarantee as to payments of interest and principal under the Covered Bonds. The LLP has agreed to pay an amount equal to the Guaranteed Amounts when the same shall become Due for Payment but which would otherwise be unpaid by the Issuer. The obligations of the LLP under the Covered Bond Guarantee constitute direct and (following the service of a Notice to Pay on the LLP or, if earlier, the service on the Issuer and the LLP of an LLP Acceleration Notice) unconditional obligations of the LLP, secured as provided in the Deed of Charge. The Bond Trustee will be required to serve a Notice to Pay on the LLP following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice. An LLP Acceleration Notice may be served by the Bond Trustee on the Issuer and the LLP following the occurrence of an LLP Event of Default.

   If an LLP Acceleration Notice is served, the Covered Bonds will become immediately due and payable as against the Issuer and the LLP's obligations under the Covered Bond Guarantee will be accelerated. Payments made by the LLP under the Covered Bond Guarantee will be made subject to, and in accordance with, the Guarantee Priority of Payments or the Post-Enforcement Priority of Payments, as applicable. The recourse of the Covered Bondholders to the LLP under the Covered Bond Guarantee will be limited to the assets of the LLP from time to time.

4. *The proceeds of Term Advances*: The LLP must use the proceeds of the Term Advances received under the Intercompany Loan Agreement from time to time (if not denominated in Sterling, after swapping the same into Sterling under the relevant Covered Bond Swap Agreement):

   (a) to purchase Mortgage Loans and their Related Security from the Seller in accordance with the terms of the Mortgage Sale Agreement; and/or

   (b) to invest in Substitution Assets in an amount not exceeding the prescribed limit,

   to the extent required to meet the requirements of Regulations 23 and 24(1)(a) of the RCB Regulations and the Asset Coverage Test (as described below), and thereafter may be applied by the LLP:

   (i) to purchase Mortgage Loans and their Related Security, from the Seller in accordance with the terms of the Mortgage Sale Agreement; and/or

   (ii) to invest in Substitution Assets in an amount not exceeding the prescribed limit; and/or

   (iii) subject to complying with the Asset Coverage Test, to make a Capital Distribution to the Seller (in its capacity as Member) by way of distribution of that Member's equity in the LLP in an amount equal to the Sterling Equivalent of the Term Advance or any part thereof, which shall be paid to the Member on the relevant Issue Date by telegraphic transfer or as otherwise directed by the Member; and/or

   (iv) if an existing Series or Tranche, or part of an existing Series or Tranche, of Covered Bonds is being refinanced (by the issue of a further Series or Tranche of Covered Bonds), to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced; and/or

   (v) to make a deposit of all or part of the proceeds in the Transaction Account (including, without limitation, to fund the Reserve Fund to an amount not exceeding the prescribed limit) or the Issuer Account (in an amount not exceeding the Issuer Permitted Cash Amount).

   To protect the value of the Mortgage Portfolio under the terms of the LLP Deed, the LLP and the Members (other than the Liquidation Member) will be obliged to ensure that the Asset Coverage Test (as described below) will be satisfied on each Calculation Date.

5. *Consideration*: Under the terms of the Mortgage Sale Agreement, the consideration payable to the Seller for the sale of Mortgage Loans and their Related Security to the LLP on any Transfer Date will be a combination of (i) a cash payment paid by the LLP to the Seller and/or (ii) the Seller being treated as having made a Capital Contribution in Kind to the LLP (in an amount up to the difference between the Current Balance of the Mortgage Loans sold by the Seller as at the relevant Transfer Date and the cash payment (if any) paid by the LLP) and/or (iii) Deferred Consideration.

6. *Security*: To secure its obligations under the Covered Bond Guarantee and the Transaction Documents to which it is a party, the LLP has granted security over the Charged Property (which consists principally of the LLP's interest in the portfolio of Mortgage Loans and their Related Security, the Substitution Assets, the Transaction Documents to which it is a party, the LLP Accounts and the Authorised

Investments) in favour of the Security Trustee (for itself and on behalf of the other Secured Creditors) pursuant to the Deed of Charge.

7. *Cashflows*: Prior to service of an Asset Coverage Test Breach Notice, a Notice to Pay or an LLP Acceleration Notice on the LLP and/or realisation of the Security and/or the commencement of winding-up proceedings against the LLP, the LLP will:

   (a) apply Available Revenue Receipts to pay interest due on the Term Advances (the proceeds of which the Issuer may apply to pay interest due on the Covered Bonds) and to pay Deferred Consideration to the Seller in respect of the Mortgage Loans sold by the Seller to the LLP. However, these payments will only be made after payment of certain items ranking higher in the Pre-Acceleration Revenue Priority of Payments (including, but not limited to, certain expenses and amounts due to any Interest Rate Swap Providers and any Covered Bond Swap Providers). For further details of the Pre-Acceleration Revenue Priority of Payments, see "*Cashflows*" below; and

   (b) apply Available Principal Receipts towards making Capital Distributions to the Members but only after payment of certain items ranking higher in the Pre-Acceleration Principal Priority of Payments (including, but not limited to, acquiring New Mortgage Loans and their Related Security offered by the Seller to the LLP or repaying amounts due to the Issuer under the Intercompany Loan Agreement). For further details of the Pre-Acceleration Principal Priority of Payments, see "*Cashflows*" below.

   Following service on the LLP of an Asset Coverage Test Breach Notice (which has not been revoked) but prior to service of a Notice to Pay or an LLP Acceleration Notice and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP, the LLP will continue to apply Available Revenue Receipts and Available Principal Receipts as described above, except that, whilst any Covered Bonds remain outstanding:

   (a) in respect of Available Revenue Receipts, no further amounts will be paid to the Issuer under the Intercompany Loan Agreement, into the Reserve Fund, towards any indemnity amount due to the Members pursuant to the LLP Deed or any indemnity amount due to the Asset Monitor pursuant to the Asset Monitor Agreement, towards any Deferred Consideration or towards any profit for the Members' respective interests in the LLP (but payments will, for the avoidance of doubt, continue to be made under the relevant Swap Agreements); and

   (b) in respect of Available Principal Receipts, no payments will be made other than into the Transaction Account after exchange (if required) in accordance with the relevant Covered Bond Swap (see "*Cashflows*" below).

   Following the occurrence of an Issuer Event of Default and the service on the LLP of a Notice to Pay (but prior to an LLP Event of Default and service of an LLP Acceleration Notice on the LLP and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP) the LLP will use all monies (other than Non-LLP Amounts) to pay Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment subject to paying certain higher ranking obligations of the LLP in the Guarantee Priority of Payments. In such circumstances, the Members of the LLP, including the Seller, will only be entitled to receive any remaining income of the LLP after all amounts due under the Covered Bond Guarantee in respect of the Covered Bonds have been paid in full or have otherwise been provided for.

   Following the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice on the LLP and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP, the Covered Bonds will become immediately due and repayable (if not already due and payable following the occurrence of an Issuer Event of Default) and the Bond Trustee will then have a claim against the LLP under the Covered Bond Guarantee for an amount equal to the Early Redemption Amount in respect of each Covered Bond together with accrued interest and any other amounts due under the Covered Bonds other than additional amounts payable by the Issuer under Condition 8 (*Taxation*) and the security created by the LLP over the Charged Property will become enforceable. Any monies received or recovered by the Security Trustee following enforcement of the Security created by the LLP in accordance with the Deed of Charge, realisation of such Security and/or the commencement of winding-up proceedings against the LLP will be distributed according to the Post-Enforcement Priority of Payments as to which, see "*Cashflows*" below.

8. *Interest Accumulation Ledger*: Subject as provided under the heading "Coupon Payment Ledger" below, in relation to each Series of Covered Bonds that (a) does not have a Covered Bond Swap in place and (b) does not have monthly Interest Payment Dates (each such Series, an "**Accumulation Series of Covered Bonds**"), the Cash Manager shall maintain an Interest Accumulation Ledger, to which the LLP Monthly Interest Amount will be credited on each LLP Payment Date. Amounts standing to the credit of the Interest Accumulation Ledger in respect of each such Accumulation Series of Covered Bonds will be applied on the relevant Loan Interest Payment Date or Interest Payment Date, as the case may be, together with Available Revenue Receipts (applied in accordance with the relevant Priorities of Payments), to make payments under the Term Advances or Covered Bonds, as applicable.

9. *Asset Coverage*: The Programme provides that the assets of the LLP are subject to an Asset Coverage Test in respect of the Covered Bonds. Accordingly, for so long as Covered Bonds remain outstanding, the LLP and the Members (other than the Liquidation Member) must ensure that on each Calculation Date, the Adjusted Aggregate Loan Amount will be in an amount equal to or in excess of the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on that Calculation Date. The Asset Coverage Test will be tested by the Cash Manager on each Calculation Date. A breach of the Asset Coverage Test on a Calculation Date which is not remedied on the immediately succeeding Calculation Date will require the Bond Trustee to serve an Asset Coverage Test Breach Notice on the LLP. The Asset Coverage Test Breach Notice will be revoked if, on any Calculation Date falling on or prior to the third Calculation Date following service of an Asset Coverage Test Breach Notice, the Asset Coverage Test is satisfied and neither a Notice to Pay nor an LLP Acceleration Notice has been served.

   If an Asset Coverage Test Breach Notice has been delivered and has not been revoked:

   (a) the application of Available Revenue Receipts and Available Principal Receipts will be restricted as described above;

   (b) the LLP will be required to sell Selected Mortgage Loans; and

   (c) the Issuer will not be permitted to make to the LLP and the LLP will not be permitted to borrow from the Issuer any new Term Advances under the Intercompany Loan Agreement.

   If an Asset Coverage Test Breach Notice has been served and not revoked on or before the third Calculation Date after service of such Asset Coverage Test Breach Notice, then an Issuer Event of Default shall occur and the Bond Trustee shall be entitled (and, in certain circumstances, may be required) to serve an Issuer Acceleration Notice on the Issuer. Following service of an Issuer Acceleration Notice, the Bond Trustee must serve a Notice to Pay on the LLP.

10. *Amortisation Test*: In addition, following an Issuer Event of Default and the service of a Notice to Pay on the LLP (but prior to service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security), for so long as Covered Bonds remain outstanding, the LLP and the Members (other than the Liquidation Member) must ensure that on each Calculation Date, the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds from time to time. The Amortisation Test will be tested by the Cash Manager on each Calculation Date following an Issuer Event of Default and service of a Notice to Pay on the LLP. A breach of the Amortisation Test will constitute an LLP Event of Default, which will entitle the Bond Trustee to serve an LLP Acceleration Notice declaring the Covered Bonds immediately due and repayable and entitle the Security Trustee to enforce the Security over the Charged Property.

11. *Extendable obligations under the Covered Bond Guarantee*: An Extended Due for Payment Date may be specified as applying in relation to a Series of Covered Bonds in the applicable Final Terms. This means that if the Issuer fails to pay the Final Redemption Amount of the relevant series of Covered Bonds on the Final Maturity Date (subject to applicable grace periods) and if the Guaranteed Amounts equal to the Final Redemption Amount of the relevant Series of Covered Bonds are not paid in full by the Extension Determination Date (for example because, following the service of a Notice to Pay on the LLP, the LLP has insufficient monies available in accordance with the Guarantee Priority of Payments to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount of the relevant Series of Covered Bonds) then payment of the unpaid amount pursuant to the Covered Bond Guarantee shall be automatically deferred (without an LLP Event of Default occurring as a result of such non-payment) and shall be due and payable on the Extended Due for Payment Date (subject to any applicable

grace period). However, any amount representing the Final Redemption Amount due and remaining unpaid on the Extension Determination Date may be paid by the LLP on any Interest Payment Date thereafter, up to (and including) the relevant Extended Due for Payment Date. Interest will continue to accrue on any unpaid principal amounts during such extended period and be payable on the Original Due for Payment Date and on the Extended Due for Payment Date in accordance with Condition 5 (*Interest*).

12. *Coupon Payments:* If Clydesdale Bank PLC is acting as Cash Manager pursuant to the Cash Management Agreement and a Cash Manager Relevant Event occurs and is continuing, the Seller will (a) within ten Business Days of the occurrence of the Cash Manager Relevant Event and (b) thereafter (i) (in respect of each Term Advance where there is not a Covered Bond Swap in place other than in respect of an Accumulation Series of Covered Bonds) within one Business Day of each Loan Interest Payment Date for each such Term Advance make a Cash Capital Contribution to the LLP in an amount equal to the Required Coupon Amount for each such Term Advance on the immediately subsequent Loan Interest Payment Date and/or (ii) (in respect of each Term Advance where there is a Covered Bond Swap in place other than in respect of an Accumulation Series of Covered Bonds) within one Business Day of each date a payment is due from the LLP under each Covered Bond Swap make a Cash Capital Contribution to the LLP in an amount equal to the Required Coupon Amount for each such Covered Bond Swap on the immediately subsequent date(s) a payment is due from the LLP and/or (iii) (in the case of a Term Advance relating to an Accumulation Series of Covered Bonds), within one Business Day of each LLP Payment Date for each such Term Advance relating to an Accumulation Series of Covered Bonds make a Cash Capital Contribution to the LLP in an amount equal to the Required Coupon Amount for each such Term Advance on the immediately subsequent LLP Payment Date.

    If a Cash Manager Relevant Event has occurred and is continuing, the LLP will not be required to hold amounts in respect of the LLP Monthly Interest Amount in the relevant Interest Accumulation Ledger in respect of an Accumulation Series of Covered Bonds and may apply the payments that would otherwise be paid into the relevant Interest Accumulation Ledger in accordance with the relevant Priorities of Payments to make a payment to the Coupon Payment Ledger to fund in whole or in part, the amount to be deposited by the Seller set out above. Any surplus over and above the amount to be deposited as described above will be paid into the Interest Accumulation Ledger.

    The LLP will transfer an amount equal to the Cash Capital Contribution it receives from the Seller within one Business Day of receipt of such amount into the Transaction Account and make a credit to the Coupon Payment Ledger. On the date of the transfer the LLP will, on the direction of the Issuer, deliver an irrevocable payment instruction (specifying the ISIN code and/or CUSIP, as applicable, in respect of the relevant Series of Covered Bonds) to the Account Bank and/or the Issuer Account Bank, as applicable, to pay such amounts (to the extent such amounts have not been paid in whole or in part by the Issuer or (following the occurrence of an Issuer Event of Default and the service of an Issuer Acceleration Notice and a Notice to Pay to the LLP) the LLP (or the Cash Manager on its behalf) on the relevant dates) to the Principal Paying Agent or the relevant Covered Bond Swap Provider, as applicable on the dates referred to above.

13. *Administration*: In its capacity as Administrator, Clydesdale Bank PLC has entered into the Administration Agreement with the LLP and the Security Trustee, pursuant to which the Administrator has agreed to provide certain services in respect of the Mortgage Loans and their Related Security sold by Clydesdale Bank PLC (in its capacity as Seller) to the LLP.

14. *The RCB Regulations*: The Issuer has been admitted to the register of issuers and the Programme has been admitted to the register of regulated covered bonds.

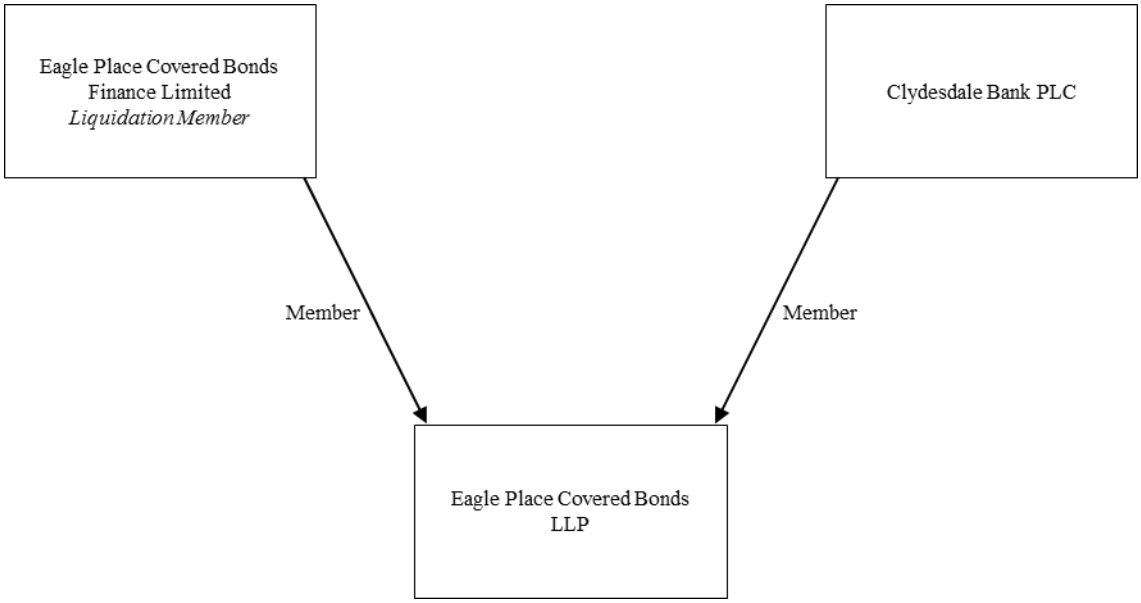
15. *Further Information*: For a more detailed description of the transactions summarised above relating to the Covered Bonds see, amongst other relevant sections of this Prospectus, "*Overview of the Programme*", "*Terms and Conditions of the Covered Bonds*", "*Summary of the Principal Documents*", "*Credit Structure*", "*Cashflows*" and "*The Mortgage Portfolio*", below.

OWNERSHIP STRUCTURE OF EAGLE PLACE COVERED BONDS LLP

As at the date of this Prospectus, the Members of the LLP are the Seller[4] and the Liquidation Member.

A New Member may be admitted to the LLP, subject to meeting certain conditions precedent including, but not limited to, written confirmation from each Rating Agency that this would not adversely affect the then current ratings of all outstanding Covered Bonds.

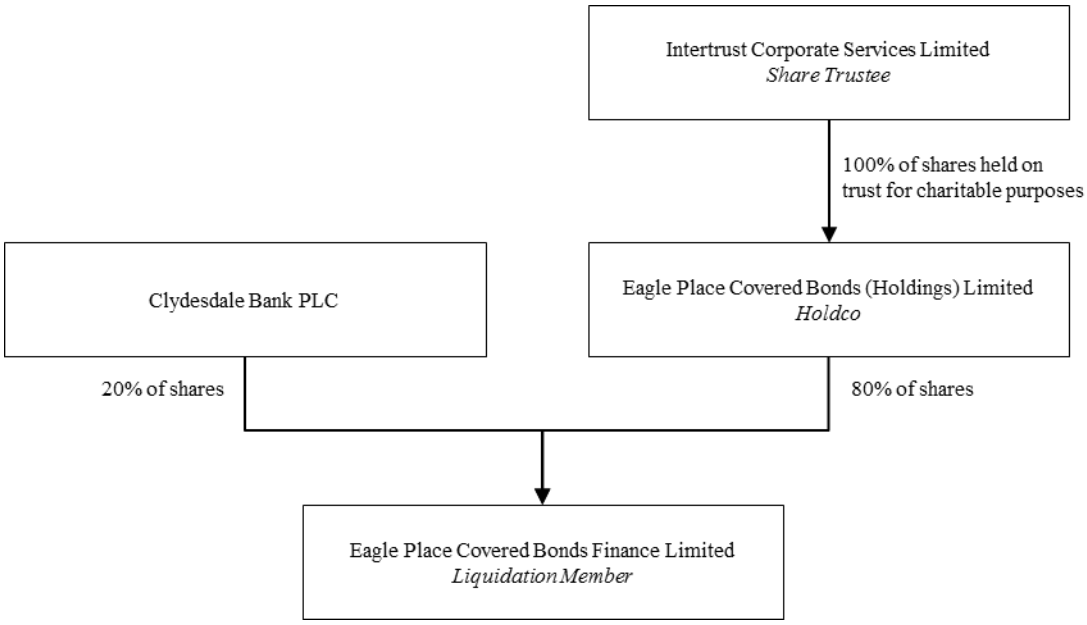
Other than in respect of those decisions reserved to the Members, the Management Committee (comprising, as at the date of this Prospectus, directors and/or employees of the Seller and the Liquidation Member) will manage and conduct the business of the LLP and will have all the rights, power and authority to act at all times for and on behalf of the LLP.



[4] The trading name of Clydesdale Bank PLC is Virgin Money

OWNERSHIP STRUCTURE OF THE LIQUIDATION MEMBER

As at the date of this Prospectus, 80 per cent. of the issued share capital of the Liquidation Member is held by Eagle Place Covered Bonds (Holdings) Limited and 20 per cent. of the issued share capital of the Liquidation Member is held by Clydesdale Bank PLC[5]. The entire issued capital of Eagle Place Covered Bonds (Holdings) Limited is held by Intertrust Corporate Services Limited as share trustee on trust for charitable purposes.



[5] The trading name of Clydesdale Bank PLC is Virgin Money

OVERVIEW OF THE PROGRAMME

The following overview is a general description of the Programme, must be read as an introduction to this Prospectus, and is qualified in its entirety by the remainder of this Prospectus (and, in relation to the terms and conditions of any particular Tranche of Covered Bonds, the applicable Final Terms or Drawdown Prospectus). Words and expressions defined elsewhere in this Prospectus shall have the same meaning in this overview unless otherwise defined herein.

Issuer:	Clydesdale Bank PLC[6], incorporated with limited liability in Scotland. For a more detailed description of the Issuer, see "*Information on the Issuer*" below.
Issuer Legal Entity Identifier (LEI):	NHXOBHMY8K53VRC7MZ54
The LLP:	Eagle Place Covered Bonds LLP, a limited liability partnership incorporated in England and Wales (partnership no. OC412988). The Members of the LLP on the date of this Prospectus are Clydesdale Bank PLC (in its capacity as Seller) and the Liquidation Member. The LLP is a special purpose vehicle whose business is to acquire, *inter alia*, Mortgage Loans and their Related Security from the Seller pursuant to the terms of the Mortgage Sale Agreement and to guarantee certain payments in respect of the Covered Bonds. The LLP will hold the Mortgage Portfolio and the other Charged Property in accordance with the terms of the Transaction Documents. The LLP has provided a guarantee covering all Guaranteed Amounts when the same shall become Due for Payment, but only following an Issuer Event of Default and the service on the LLP of a Notice to Pay or LLP Acceleration Notice. The obligations of the LLP under such guarantee and the other Transaction Documents to which it is a party are secured by the assets from time to time of the LLP and recourse against the LLP is limited to such assets. For a more detailed description of the LLP, see "*The LLP*" below.
LLP Legal Entity Identifier (LEI):	213800Z61IACVIM9AE42
Seller:	Clydesdale Bank PLC, which is in the business of originating and acquiring residential mortgage loans and conducting other related activities. For a more detailed description of the Seller, see "*Information on the Issuer*" below.
Originators:	The Mortgage Portfolio comprises Mortgage Loans (i) originated by Landmark Mortgages Limited (formerly NRAM plc and Northern Rock (Asset Management) plc) (and subsequently transferred to Virgin Money Limited (formerly Virgin Money plc)) (the "**NRAM Originator**"), (ii) originated prior to the Part VII Effective Date by Virgin Money Limited (the "**HVM Originator**"), and (iii) originated subsequent to the Part VII Effective Date by Virgin Money. The Mortgage Portfolio may in the future (subject to the provisions of the Mortgage Sale Agreement relating to the inclusion of New Mortgage Loan Types in the Mortgage Portfolio), also comprise Mortgage Loans originated by any other relevant entity within the Group (Virgin Money and each such Group originator being a "**Virgin**

[6] The trading name of Clydesdale Bank PLC is Virgin Money.

	Money Originator" and together with the NRAM Originator and the HVM Originator, the "**Originators**").
Administrator:	Pursuant to the terms of the Administration Agreement, Clydesdale Bank PLC has been appointed to administer, on behalf of the LLP, the Mortgage Loans and Related Security sold to the LLP by the Seller.
Cash Manager:	Clydesdale Bank PLC has been appointed, *inter alia*, to provide cash management services to the LLP and to monitor compliance by the LLP with the Asset Coverage Test and the Amortisation Test pursuant to the terms of the Cash Management Agreement.
Principal Paying Agent and Agent Bank:	HSBC Bank plc, acting through its offices at 8 Canada Square, London E14 5HQ, has been appointed pursuant to the Agency Agreement as Principal Paying Agent and Agent Bank.
Transfer Agent:	HSBC Bank plc, acting through its offices at 8 Canada Square, London E14 5HQ, has been appointed pursuant to the Agency Agreement as Transfer Agent.
Paying Agent:	HSBC Bank plc, acting through its offices at 8 Canada Square, London E14 5HQ, has been appointed pursuant to the Agency Agreement as Paying Agent.
Bond Trustee:	HSBC Corporate Trustee Company (UK) Limited, whose registered office is at 8 Canada Square, London E14 5HQ, has been appointed to act as Bond Trustee on behalf of the Covered Bondholders in respect of the Covered Bonds and holds the benefit of, *inter alia*, the Covered Bond Guarantee on behalf of the Covered Bondholders pursuant to the Trust Deed.
Registrar:	HSBC Bank plc, acting through its offices at 8 Canada Square, London E14 5HQ, has been appointed pursuant to the Agency Agreement as Registrar.
Security Trustee:	HSBC Corporate Trustee Company (UK) Limited, whose registered office is at 8 Canada Square, London E14 5HQ, has been appointed to act as Security Trustee to hold the benefit of the security granted by the LLP to the Security Trustee (for itself, the Covered Bondholders and other Secured Creditors) pursuant to the Deed of Charge.
Asset Monitor:	A reputable institution appointed as such pursuant to the Asset Monitor Agreement as an independent monitor to perform tests in respect of the Asset Coverage Test and the Amortisation Test when required.
Asset Pool Monitor:	An eligible auditor appointed as asset pool monitor in accordance with the requirements of the RCB Regulations. The Issuer is required to appoint an asset pool monitor in advance of its annual confirmation of compliance with certain requirements of the RCB Regulations. (See "*Description of the UK Regulated Covered Bond Regime*" below).
Covered Bond Swap Providers:	Each swap provider which agrees to act as Covered Bond Swap Provider to the LLP to hedge certain interest rate, currency and/or other risks in respect of amounts received by the LLP under the Mortgage Loans and the Interest Rate Swaps and amounts payable by the LLP under the Intercompany Loan Agreement (prior to the service of a Notice to Pay) and under the Covered Bond Guarantee in respect of the Covered Bonds (after service of a Notice to Pay) by entering

	into the Covered Bond Swaps with the LLP under a Covered Bond Swap Agreement. If the ratings of a Covered Bond Swap Provider fall below a specified ratings level, the relevant Covered Bond Swap Provider may be required to post collateral for its obligations, transfer its obligations to an appropriately rated entity, obtain a guarantee of its obligations from an appropriately rated guarantor and/or take such other action (which may include no action) which will result in the ratings assigned to the Covered Bonds being maintained at or restored to the level at which the Covered Bonds were rated immediately prior to the date on which the relevant downgrade occurred. Each Covered Bond Swap Provider shall satisfy the rating requirements set out in the relevant Covered Bond Swap Agreement, as to which see "*Summary of the Principal Documents – Covered Bond Swap Agreements*" below.
Interest Rate Swap Providers:	Each swap provider which agrees to act as a swap provider to the LLP to hedge possible variances between the rates of interest payable on some or all of the Mortgage Loans sold by the Seller to the LLP and a compounded daily SONIA rate (payable by the LLP under the Covered Bond Swap Agreement in respect of each Series of Covered Bonds where a Covered Bond Swap is in place) by entering into the Interest Rate Swaps with the LLP under an Interest Rate Swap Agreement. If the ratings of an Interest Rate Swap Provider fall below a specified ratings level, such Interest Rate Swap Provider may be required to post collateral for its obligations, transfer its obligations to an appropriately rated entity, obtain a guarantee of its obligations from an appropriately rated guarantor and/or take such other action (which may include no action and, in the case of an SVR Interest Rate Swap, reducing the notional amount of the SVR Interest Rate Swap to zero (subject to certain conditions including the receipt of regulatory approvals and satisfaction of regulatory requirements)) which will result in the ratings assigned to the Covered Bonds being maintained at or restored to the level at which the Covered Bonds were rated immediately prior to the date on which the relevant downgrade occurred.
Issuer Account Bank:	Clydesdale Bank PLC has been appointed as Issuer Account Bank to the LLP pursuant to the terms of the Issuer Bank Account Agreement.
Account Bank:	HSBC Bank plc has been appointed the Account Bank to the LLP pursuant to the terms of the Bank Account Agreement.
Liquidation Member:	Eagle Place Covered Bonds Finance Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 10298909). As at the date of this Prospectus, 80 per cent. of the issued share capital of the Liquidation Member is held by HoldCo and 20 per cent. of the issued share capital of the Liquidation Member is held by Clydesdale Bank PLC.
HoldCo:	Eagle Place Covered Bonds (Holdings) Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 10298770). All of the shares of HoldCo are held by the Share Trustee on trust for general charitable purposes.
Share Trustee:	Intertrust Corporate Services Limited, having its registered office at 1 Bartholomew Lane, London, EC2N 2AX.
Corporate Services Provider:	Intertrust Management Limited, having its registered office at 1 Bartholomew Lane, London, EC2N 2AX, has been appointed to provide certain corporate services to the LLP, Liquidation Member and HoldCo, pursuant to the Corporate Services Agreement.

Description:	Global Covered Bond Programme.
Arrangers:	BNP Paribas and HSBC Bank plc
Dealers:	BNP Paribas and HSBC Bank plc and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Covered Bonds.
Final Terms or Drawdown Prospectus:	Covered Bonds issued under the Programme may be issued either (1) pursuant to this Prospectus and associated Final Terms or (2) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Covered Bonds will be the Conditions as completed by the relevant Final Terms or, as the case may be, as supplemented, amended and/or replaced by the relevant Drawdown Prospectus.
Listing and Trading:	Application will be made to admit Covered Bonds issued under the Programme to the Official List and to admit the Covered Bonds to trading on the main market of the London Stock Exchange.
The RCB Regulations:	The Issuer has been admitted to the register of issuers and the Programme has been admitted to the register of regulated covered bonds under the RCB Regulations.
Initial Programme Amount:	Up to €10 billion (or the equivalent in other currencies) aggregate principal amount of Covered Bonds outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Distribution:	Covered Bonds may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis, subject to the restrictions set forth in "*Subscription and Sale and Transfer and Selling Restrictions*" below.
Issuance in Series:	Covered Bonds will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Covered Bonds of each Series will be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Covered Bonds of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Covered Bonds of different denominations.
Form of Covered Bonds:	Covered Bonds may be issued in bearer form ("**Bearer Covered Bonds**") or in registered form ("**Registered Covered Bonds**") as described in "*Form of the Covered Bonds*". Bearer Covered Bonds will not be exchangeable for Registered Covered Bonds and Registered Covered Bonds will not be exchangeable for Bearer Covered Bonds. No single Series or Tranche may comprise both Bearer Covered Bonds and Registered Covered Bonds.
Specified Currencies:	Covered Bonds may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements and as specified in the applicable Final Terms.
Status of Covered Bonds:	The Covered Bonds (and any Coupons relating thereto) will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will at all times rank *pari passu* among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, (save for such obligations as may be preferred by provisions of law).

Status of the Covered Bond Guarantee:	Payment of Guaranteed Amounts in respect of the Covered Bonds when Due for Payment will be irrevocably guaranteed by the LLP. The obligations of the LLP to make payment in respect of the Guaranteed Amounts when Due for Payment are subject to the condition that an Issuer Event of Default has occurred, an Issuer Acceleration Notice has been served on the Issuer and a Notice to Pay has been served on the LLP or, if earlier, an LLP Event of Default has occurred and an LLP Acceleration Notice has been served on the LLP. The obligations of the LLP under the Covered Bond Guarantee will accelerate against the LLP upon the service of an LLP Acceleration Notice. The obligations of the LLP under the Covered Bond Guarantee constitute direct and unconditional obligations of the LLP secured against the assets from time to time of the LLP and recourse against the LLP is limited to such assets.
Issue Price:	Covered Bonds may be issued at any price. The price and amount of Covered Bonds to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
Maturities:	Such maturities as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Interest:	Covered Bonds may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate (or a fixed/floating or floating/fixed rate).
Fixed Rate Covered Bonds:	Fixed Rate Covered Bonds will bear interest at the fixed rate(s) of interest specified in the applicable Final Terms. Such interest will be payable in arrear on the Interest Payment Date(s) specified in the applicable Final Terms or determined pursuant to the Conditions.
Fixed/Floating Rate Covered Bonds:	Covered Bonds may be issued which convert from a fixed rate of interest to a floating rate of interest, or vice versa, as specified in the applicable Final Terms. See further "*Risk Factors – Fixed/Floating Rate Covered Bonds*".
Floating Rate Covered Bonds:	Floating Rate Covered Bonds will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc.; or (ii) by reference to a reference rate appearing on the agreed screen page of a commercial quotation service, in any such case as adjusted for any applicable margin specified in the applicable Final Terms. Floating Rate Covered Bonds may also have a maximum interest rate, a minimum interest rate, or both.
Zero Coupon Covered Bonds:	Zero Coupon Covered Bonds may be issued at their nominal amount or at a discount to their nominal amount and will not bear interest.

Base Rate Modifications:	If so specified in the applicable Final Terms for a Series of Covered Bonds, then the Issuer may, in certain circumstances and subject to certain conditions, make Base Rate Modifications without the need (so long as the Bond Trustee, the Issuer and the Principal Paying Agent (collectively) have not been contacted in writing by Covered Bondholders holding at least 10 per cent. of the aggregate Principal Amount Outstanding of such Series of Covered Bonds stating that such Covered Bondholders do not consent to the proposed Base Rate Modification in the manner set out in Condition 15(b)(iii)) for the consent of Covered Bondholders of such Series of Covered Bonds. See Condition 15(b)(iii) for further information.
Option to issue N Covered Bonds:	Subject to the consent of the Bond Trustee (which must be given if certain conditions are met), the Issuer may amend the Programme to allow for the issue of Covered Bonds in the form of German law governed registered bonds (*Namensschuldverschreibungen*) ("**N Covered Bonds**"). N Covered Bonds will rank *pari passu* with all other Covered Bonds and all payments of principal and interest payable under the N Covered Bonds will be guaranteed by the LLP pursuant to the terms of the Covered Bond Guarantee.
Ratings Confirmation:	The issuance of all Covered Bonds shall be subject to a Ratings Confirmation that the then current ratings for any outstanding Covered Bonds will not be adversely affected by the issuance of such Covered Bonds.
Redemption:	Unless previously redeemed or purchased and cancelled, Covered Bonds will be redeemed at their Final Redemption Amount (as specified in the relevant Final Terms) on their Final Maturity Date.
Optional Redemption:	Covered Bonds may be redeemed before their Final Maturity Date at the option of the Issuer (as described in Condition 7(c) (*Redemption at the option of the Issuer (Issuer Call)*)), to the extent (if at all) specified in the relevant Final Terms.
Early Redemption:	Except as described in "*Optional Redemption*" above, early redemption will only be permitted for tax reasons, as described in Condition 7(b) (*Redemption for taxation reasons*).
Extendable Obligations under the Covered Bond Guarantee:	The applicable Final Terms may also provide that the LLP's obligations under the Covered Bond Guarantee to pay the Guaranteed Amounts corresponding to the Final Redemption Amount of the applicable Series of Covered Bonds on their Final Maturity Date (subject to applicable grace periods) may be deferred until the Extended Due for Payment Date. In such case, such deferral will occur automatically if the Issuer fails to pay the Final Redemption Amount of the relevant Series of Covered Bonds on their Final Maturity Date (subject to applicable grace periods) and if the Guaranteed Amounts equal to the Final Redemption Amount in respect of such Series of Covered Bonds are not paid in full by the LLP by the Extension Determination Date (for example, because the LLP has insufficient monies to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of the relevant Series of Covered Bonds after payment of higher ranking amounts and taking into account amounts ranking *pari passu* in the Guarantee Priority of Payments). To the extent that the LLP has received a Notice to Pay in sufficient time and has sufficient monies to pay in part the Final Redemption Amount, such partial payment

	shall be made by the LLP on any Interest Payment Date up to and including the relevant Extended Due for Payment Date as described in Condition 7(a) (*Final redemption*). Interest will continue to accrue and be payable on the unpaid amount up to the Extended Due for Payment Date in accordance with Condition 5 and the LLP will make payments of Guaranteed Amounts constituting Scheduled Interest on each relevant Due for Payment Date and Extended Due for Payment Date.
Denominations:	The Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) (subject to compliance with all applicable legal and/or regulatory and/or central bank requirements), save that the minimum denomination of each Covered Bond will be €100,000 (or the equivalent in any other currency). Unless otherwise stated in the applicable Final Terms, the minimum denomination of each Definitive Rule 144A Covered Bond will be U.S.$200,000 or its approximate equivalent in any other currency.
Taxation:	All payments in respect of the Covered Bonds will be made without deduction or withholding for or on account of United Kingdom taxes, subject as provided in Condition 8 (*Taxation*). If any such deduction or withholding is made the Issuer will, save in the limited circumstances provided in Condition 8 (*Taxation*), be required to pay additional amounts in respect of the amounts so deducted or withheld. Under the Covered Bond Guarantee, the LLP will not be liable to pay any such additional amounts that would have been payable by the Issuer under Condition 8 (*Taxation*).
Cross Default:	If an Issuer Acceleration Notice is served in respect of one Series of Covered Bonds, then the Covered Bonds of all Series will accelerate against the Issuer. If an LLP Acceleration Notice is served in respect of any one Series of Covered Bonds, then the obligation of the LLP to pay Guaranteed Amounts in respect of all Series of Covered Bonds outstanding will be accelerated.
Ratings:	Covered Bonds to be issued under the Programme have the ratings specified in the applicable Final Terms on issuance.
Substitution:	The Bond Trustee may in certain circumstances, without the consent of the Covered Bondholders, agree to the substitution of the Issuer, as described in Condition 15(c) *(Substitution of the Issuer)*.
Governing Law:	English law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of Covered Bonds and on the distribution of offering material in the United States, the European Economic Area (and, separately, Belgium and the Republic of Italy), the United Kingdom, Japan, Singapore, Switzerland, Australia and Canada see "*Subscription and Sale and Transfer and Selling Restrictions*" below.
MiFID II product governance or UK MiFIR Product Governance Rules:	The Final Terms in respect of any Covered Bonds will include a legend entitled "*MiFID II Product Governance*" or "*UK MiFIR Product Governance Rules*" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate.

EU PRIIPs Regulation or UK PRIIPs Regulation:	The Covered Bonds are not intended to be, and should not be, offered, sold or otherwise made available to any retail investor in the EEA or in the UK, as applicable, and no key information document under the EU PRIIPs Regulation or the UK PRIIPs Regulation will be prepared.
Risk Factors:	There are certain risks related to any issue of Covered Bonds under the Programme, which investors should ensure they fully understand, a non-exhaustive summary of which is set out under "*Risk Factors*" from page 27 of this Prospectus.

RISK FACTORS

This section describes the principal risk factors associated with an investment in the Covered Bonds.

Any investment in the Covered Bonds is subject to a number of risks. Prior to investing in the Covered Bonds, prospective investors should carefully consider risk factors associated with any investment in the Covered Bonds, the business of the Issuer and the industry in which it operates together with all other information contained in this Prospectus, including, in particular the risk factors described below, before making any investment decision. Words and expressions defined in the "Terms and Conditions of the Covered Bonds" below or elsewhere in this Prospectus have the same meanings in this section.

Prospective investors should note that the following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Covered Bonds. The Issuer has described only those risks relating to its ability to fulfil its obligations under the Covered Bonds that it considers to be material. Additional risks and uncertainties relating to the Issuer that are not currently known to the Issuer, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Issuer and, if any such risk should occur, the price of the Covered Bonds may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Covered Bonds is suitable for them in light of the information in this Prospectus and their particular circumstances.

A. RISKS RELATING TO THE ISSUER

1. Credit Risk

1.1 The Issuer is subject to risks associated with customer and counterparty non-performance

Credit risk is the risk of loss of principal or interest stemming from a borrower's failure to meet contractual obligations to the Issuer in accordance with the terms agreed. The Issuer has exposures to many different products, counterparties and obligors whose credit quality can have a significant adverse impact on the Issuer's business, results of operations, financial condition and prospects. Retail and business lending activities account for most of the Issuer's credit risk. Mortgage lending comprises the bulk of the Issuer's customer loan portfolio, with business loans and unsecured personal lending (including credit cards, personal loans and overdrafts) comprising the balance.

Other sources of credit risk include but are not limited to the extension of credit commitments and guarantees, the holding of investments for liquidity purposes (including UK gilts), inter-bank transactions, letters of credit and trade financing, derivative transactions entered into for hedging purposes, foreign exchange transactions, placing of deposits, acceptances and the settlement of transactions.

Less favourable business or economic conditions, whether generally or in a specific industry sector or geographic region, could cause counterparties and customers (especially those concentrated in areas experiencing less favourable business or economic conditions) to experience an adverse financial situation. This exposes the Issuer to the increased risk that those customers will fail to meet their obligations in accordance with agreed terms. A deterioration in the economic conditions in the UK could have an adverse impact on the Issuer's financial performance and position. Other factors that could have an adverse impact include further financial market dislocation, which could lead to falling confidence, increasing refinancing risk and contagion risk amongst market participants, counterparties and customers.

In the ordinary course of its operations, the Issuer estimates and establishes provisions for credit risks and the potential credit losses inherent in these exposures. This process, which is critical to the Issuer's results and financial condition, requires complex judgements, including forecasts of how changing macro-economic conditions might impair the ability of customers to repay their loans. The Issuer may fail to adequately identify the relevant factors or accurately estimate the impact and/or magnitude of identified factors, which could materially adversely affect its business, results of operations, financial condition and prospects.

Further, there is a risk that, despite the Issuer's belief that it conducts an accurate assessment of customer credit quality, customers are unable to meet their commitments as they fall due as a result of customer-specific circumstances, macro-economic factors or other external factors. The failure of customers to

meet their commitments as they fall due may result in higher impairment charges or a negative impact on fair value in the Issuer's lending portfolio. A deterioration in customer credit quality and the consequent increase in impairments could have a material adverse effect on the Issuer's business, results of operations, financial condition and prospects.

1.2 The Issuer may face risks relating to the level of provision required in respect of its credit exposures

Collectively assessed provisioning for the Issuer's credit exposures is based on the probability that the customer defaults on the loan (the "**Probability of Default**" or "**PD**"), the level of exposure at default the customer has (the "**EAD**") and the amount the Issuer expects to be irrecoverable from that customer (the "**Loss given Default**" or "**LGD**"). The modelled collective assessment also considers factors such as credit quality; levels of arrears; credit utilisation; loan-to-collateral ratios; and other factors including the Issuer's internal customer rating system. These characteristics are indicative of the borrower's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Regular assessment takes place to determine which of the Issuer's assets have deteriorated significantly since origination; those assets so deteriorating attract a more punitive lifetime loss allowance.

Estimating the Issuer's collectively and individually assessed provisions requires the Issuer's directors to exercise a significant amount of judgement, and incorporates the use of assumptions, the most significant of which are the PD and LGD assumptions used in the Issuer's collective modelling process, which are informed by a range of forward-looking economic scenarios and the identification and judgements made in respect of loan files subject to individual assessment. The use of judgements, including Model Adjustments and supportable estimates is considered by management to be an essential part of the credit impairment process. This credit impairment process, which is critical to the Issuer's results and financial condition, requires complex judgements, including forecasts of how changing macro-economic conditions and individual customer circumstances or trading performance (in the case of business customers) might impair the ability of customers to repay their loans. The Issuer may fail to adequately identify the relevant factors or accurately estimate the impact and/or magnitude of identified factors, which could materially adversely affect its business, results of operations, financial condition and prospects.

1.3 The Issuer faces risk from the impact of climate change

The Issuer is exposed to physical and transition risks arising from climate change. Physical risks from climate change arise from a number of factors and relate to specific climate and weather-related events and longer-term shifts in the climate such as heatwaves, droughts, floods, storms, sea level rise, coastal erosion and subsidence. The nature and timing of extreme weather events are uncertain but they are increasing in frequency and their impact on the economy is predicted to be more acute in the future. The potential impact on the economy includes, but is not limited to, lower GDP growth, higher unemployment and significant changes in asset prices and profitability of industries. Damage to the properties and operations of borrowers could impair asset values and the creditworthiness of customers leading to increased default rates, delinquencies, write-offs and impairment charges in the Issuer's portfolios and financial losses for the Issuer. In addition, the Issuer’s premises and resilience may also suffer physical damage due to weather events leading to increased costs for the Issuer.

Transition risks arise from the process of adjustment towards a low-carbon economy. As the economy transitions to a low-carbon economy, financial institutions, including the Issuer, may face significant and rapid developments in, policy, law and regulation, technology and sentiment, which could prompt a reassessment of the value of a large range of assets of the Issuer and create credit exposures for the Issuer and other lenders as costs and opportunities become apparent. As sentiment towards climate change shifts and societal preferences change, the Issuer may face greater scrutiny of the type of business it conducts, adverse media coverage and reputational damage from a failure to meet the changing societal, customer, or investor demands as well as failure to comply with governmental and regulatory requirements. This may in turn impact customer demand for the Issuer’s products, returns on certain business activities, cost of funding and the value of certain assets resulting in impairment charges.

If the Issuer does not adequately embed risks associated with climate change into its risk framework to appropriately identify, measure, manage and disclose the various financial and operational risks it faces as a result of climate change, or fails to adapt its strategy and business model to the changing regulatory requirements and market expectations on a timely basis, it may have a material and adverse impact on

the Issuer's trading performance, financial condition, competitiveness, results of operations and prospects.

2. Business and Economic Risks

2.1 Risks relating to the impacts of inflation and cost of living pressures

The Issuer's customers are impacted by both domestic and global economic conditions (see "*The Issuer is subject to risks arising from macro-economic conditions in the UK or globally*" below). The adverse macro-economic environment arising from energy prices, headwinds from higher inflation, increases to the cost of living and the Bank of England (the "**BoE**") base rate has an impact on household incomes and has the potential to impact short to medium term performance of the Issuer's credit.

These factors and any resulting market volatility could potentially result in a heightened level of customer stress leading to default, which in turn could lead to material arrears and credit losses. There is also a risk to the Issuer's portfolio growth aspirations should consumer confidence deteriorate, or affordability pressures heighten. This has the potential to impact negatively the Issuer's performance and additional capital may be required by the Issuer to absorb the elevated levels of credit risk and any increase in impairment levels.

2.2 The Issuer is subject to risks arising from macro-economic conditions in the UK or globally

The Issuer's business is subject to inherent risks arising from macro-economic conditions in the UK and their potential impact on customers and businesses (including vulnerable customers). In particular, levels of retail and business affordability are heavily dependent on consumer confidence, the UK property and mortgage market, unemployment trends, the level of inflation, including energy price inflation, market interest rates and the broader state of the UK economy.

The evolution of the geo-political environment including the conflicts in Ukraine and the Middle East could affect the future performance of the UK economy and subsequently the banking industry and may have a material impact on the business performance of the Issuer. The extent to which any individual event or a combination of these events will have an impact on the performance of the economy will evolve over the medium term.

As the Issuer's customer base is predominantly based in the UK, it will be significantly exposed to the condition of the UK economy. In particular, factors such as UK house prices, levels of unemployment, inflation, interest rates, supply chain issues and change in consumers' disposable income can each have a material impact on customers. Should macro-economic conditions in the UK deteriorate or should there be uncertainty and/or volatility in relation to these factors, this could adversely impact the Issuer's business, results of operations, financial condition and prospects.

The Issuer's operations are focused in its core regions in the UK, including Scotland. These operations could be adversely affected by a lack of legal harmonisation across the UK, including through the further devolution of powers to the Scottish Parliament or departure of Scotland from the UK (see "*Risks in relation to the UK's exit from the EU and constitutional issues*" below). For example, differences in regulatory regimes or differing tax legislation between Scotland and England may result in additional compliance and other costs for the Issuer or adversely impact the financial performance and prospects of its customers.

In addition, changes in global economic conditions or circumstances (in particular in the Eurozone) may have secondary consequences that adversely impact the Issuer's results of operations and financial condition. The BoE alongside other central banks, has increased interest rates from historical lows to levels closer to historical norms in order to manage inflation back to target levels. Market participants, who may take on or have taken on more risk than they expected in a "search for yield", may have been exposed to an earlier or more rapid than expected tightening in monetary policy (for further information, see the risk factor entitled "*The Issuer is subject to risks associated with interest rate levels and volatility*" below).

In addition, volatility in credit, currency and equity markets globally may result in uncertainty that could affect all banks, including the Issuer and may lead to the following (amongst other factors):

(a) increased cost of funding and/or reduced availability of funding;

(b) deterioration in the value and liquidity of assets (including collateral);

(c) inability to price or difficulty in pricing certain assets;

(d) higher provisions for bad and doubtful debts;

(e) an increased likelihood of customer and counterparty default and credit losses;

(f) mark-to-market losses in the value of assets and liabilities;

(g) economic exposures from hedging activities;

(h) increased cost of insurance and/or lack of available insurance;

(i) fluctuations in pension scheme valuations that may affect the Issuer: and

(j) lower growth, business revenues and earnings.

The historical results of operations and financial condition of the Issuer have been, and future results of operations and financial condition are likely to continue to be, affected by these factors, which should they have an adverse effect on consumer confidence, spending or demand for credit, could have a material adverse effect on the Issuer's business, capital position, financial condition, results of operations and prospects.

2.3 Concentration of credit risk could increase the Issuer's potential for significant losses

Substantially all of the Issuer's assets and business is related to customers in the UK and, in the case of mortgages, are distributed across the UK, with higher concentrations in Greater London and the South East of England. Each geographic region within the United Kingdom has different economic features and prospects. Any downturn in a local economy or particular industry may adversely affect regional employment levels and consequently the repayment ability of borrowers in respect of mortgage or other loans in a region that relies to a greater extent on that industry. In the event of adverse economic conditions, including higher interest rates and levels of unemployment, in regions within the UK where the Issuer has significant business or assets, concentrations of credit risk could cause it to experience greater losses than some competitors.

In addition, the Issuer faces concentration risks including those relating to its lending in the health and social care, and agriculture sectors. The Issuer could be disproportionately impacted compared to some competitors by a deterioration of market conditions in the health and social care sector due to, for example, rising staff costs due to inflation or changes in visa requirements for EU workers, changes in the regulatory landscape driven by the Care Quality Commission or changes in UK Government policy. The Issuer could be disproportionately impacted compared to some competitors by a deterioration of market conditions in the agricultural sector due to, for example, shortage of labour, adverse seasonal weather patterns, falling land prices, global oversupply and volatility in commodity markets or changes in UK Government policy such as reductions to farming subsidies during the seven-year transition period for subsidies from 2021 following the UK's withdrawal from the EU.

While the Issuer regularly monitors its credit portfolios to assess potential concentration risk, efforts to divest, diversify or manage the Issuer's credit portfolio against concentration risks may not be successful. Concentration of credit risk could result in a material adverse effect on the Issuer’s business, results of operations, financial condition and prospects.

2.4 The Issuer is subject to risks associated with interest rate levels and volatility

Interest rates, which are impacted by factors outside of the Issuer's control, including the fiscal and monetary policies of governments and central banks, as well as UK and international political and economic conditions, affect the Issuer's results of operations, financial condition and return on capital in three principal areas: cost and availability of funding, impairment levels and net interest income and margins.

Firstly, interest rates affect the cost and availability of the principal sources of the Issuer's funding, which is largely provided by customer deposits (in the form of personal current accounts ("**PCAs**"), business

current accounts ("**BCAs**") and savings accounts) and wholesale funding from the capital markets, in the form of residential mortgage backed securities ("**RMBS**"), covered bonds and senior debt. Following recent interest rate rises, customers may continue the trend to transfer PCA and BCA balances, as well as other deposit balances, to higher rate products, which could result in increased interest expense and/or reduced deposit volumes for the Issuer.

The Issuer raises funding from a number of wholesale sources, including secured funding through RMBS and covered bond programmes and senior debt from its global medium term note programme. Any significant increase in interest rates could have a material adverse impact on the availability and interest cost of such funding.

Secondly, interest rates impact the Issuer's impairment levels, particularly because (if passed on to customers) they affect customer affordability of mortgages, as well as the ability of individuals and businesses to borrow and service loans. Customers may look to stop paying on credit cards and personal loans in the first instance in order to continue to meet mortgage commitments, impacting these products as well as mortgages. An increase in interest rates, without a comparable increase in customer income or business revenues and profits, could, for example, lead to an increase in default rates among customers who can no longer afford their repayments, in turn leading to increased impairment charges and lower profitability for the Issuer. A high interest rate environment may also reduce demand for mortgages and other loans generally, as individuals and business customers may be less likely or less able to borrow when interest rates are high. A high interest rate environment may result in other forms of financing, such as equity capital for businesses, becoming more attractive, thereby reducing the Issuer's lending and related income. In a low interest rate environment, there is a risk that borrowers at early levels of financial distress will not be identified in a timely manner, as they may continue to be able to service their loans, which may contribute to higher impairment levels in the future. This may be exacerbated when interest rates change frequently. On 26 June 2023, HMT published the 'Mortgage Charter' as a result of the pressures on households following interest rate rises and the cost-of-living crisis. The Mortgage Charter states that the UK's largest mortgage lenders and the FCA have agreed with the Chancellor a set of standards that they will adopt when helping their regulated mortgage borrowers worried about high interest rates (the "**Mortgage Charter**"). The Issuer is a signatory to the Mortgage Charter to support regulated residential mortgage borrowers impacted by higher mortgage interest rates, in particular borrowers whose existing fixed rate deal is due to end in the immediate future. Further detail in relation to the Mortgage Charter is included in the section headed "*Information Relating to the Regulation of the mortgages in the UK – Mortgage Charter*" below.

Thirdly, interest rates affect the Issuer's net interest income and margins. Over the last few years, the sustained period of low interest rates resulted in lower returns on low interest bearing and non-interest bearing current accounts and capital, reducing the Issuer's net interest income and net interest margin. Even though interest rates have now increased from historically low levels, performance and net interest income and margin could be adversely affected by a low interest rate environment in the future.

Borrowers of buy-to-let mortgages have benefited in recent years from a combination of low interest rates, rising house prices and increasing rents. The higher interest rate environment has placed pressure on the buy-to-let market with landlords less able to meet regulatory affordability hurdles for the increased interest payments required for new mortgages. This may lead to a reduction in buy-to-let income for the Issuer but may also lead to a decrease in asset quality as investors look to purchase lower quality assets with better returns, but with a lower credit risk profile of tenant. If rental rates were to decrease or remain stagnant, interest rates were to increase, further tax changes were to reduce the post-tax return on buy-to-let investments and/or the economy were to weaken and place pressure on employment, consumer incomes and/or house prices, the credit performance of the Issuer's buy-to-let mortgage book could deteriorate, which in turn could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

In addition, in the event of sudden, large or frequent changes in interest rates, the Issuer may not be able to re-price its floating rate assets and liabilities at the same time, giving rise to re-pricing gaps in the short term, which may negatively affect its net interest income and net interest margin.

Moreover, the Issuer's variable rate savings accounts and other floating rate liabilities expose the Issuer to the risk of increased costs when interest rates increase. In an increasing interest rate environment, the Issuer may also be more exposed to re-pricing of its liabilities than competitors with a lower proportion of variable rate deposits or other liabilities.

If the Issuer is unable to manage its exposure to interest rate volatility, whether through hedging, product pricing, monitoring of borrower credit quality or other means, such volatility could have a material adverse effect on its business, financial condition, results of operations and prospects.

2.5 Risks in relation to the UK's exit from the EU and constitutional issues

The UK left the European Union ("**EU**") on 31 January 2020 and a free trade agreement with the EU, known as the UK-EU Trade and Cooperation Agreement (the "**TCA**"), came into effect on 31 December 2020 (the implementation period completion day, or "**IP completion day**"). The TCA is principally a free trade agreement in goods. It does not address in any detail a number of areas, including the cross-border provision of services, the passporting of UK and EU financial institutions, the determination of equivalence between EU and UK financial market regulations, or judicial cooperation in civil matters. In addition, on IP completion day, the UK incorporated into its law (i.e. grandfathered) the majority of EU law as it stood at IP completion day ("**EU assimilated law**").

Notwithstanding the conclusion of the TCA by the EU and the UK, and the on-shoring by the UK of EU assimilated law, there remain uncertainties with regard to the economic outlook of the UK and there may still be changes in the legal rights and obligations of commercial parties across various industries, such as the services sector including financial services. If any of these risks materialise, they could have a material adverse effect on the Issuer's business, prospects or results of operations.

Constitutional tensions continue to persist in the UK, in particular through calls for the further devolution of powers to the Scottish Parliament or departure of Scotland from the UK. The Issuer's operations are focused in its core regions in the UK, including Scotland and whilst Nationwide and the Group are headquartered and incorporated in England and Wales, the Issuer is headquartered and incorporated in Scotland. A future departure of Scotland from the UK would impact the fiscal, monetary and regulatory landscape to which the Issuer is subject. While the operational consequences of independence remain uncertain, it could (i) result in changes to the economic climate in Scotland and political and policy developments, (ii) have an impact on Scots law, regulation, accounting or administrative practice in Scotland, and/or (iii) result in Scotland not continuing to use pounds sterling as its base currency, which could have a material adverse effect on the Issuer's business, prospects and results of operations.

In addition, future UK political developments and/or any changes in UK Government structure and policies, could affect the fiscal, monetary and regulatory landscape to which the Issuer is subject and therefore its financing availability and terms. Consequently, no assurance can be given that the Issuer's operating results, financial condition and prospects would not be adversely impacted as a result.

Although the Issuer is a UK regulated, ring-fenced bank, no assurance can be given that any of the matters outlined above would not affect the Covered Bonds and/or the market value and/or liquidity of the Covered Bonds in the secondary market.

2.6 The Issuer could be negatively affected by actual or perceived deterioration in the soundness of other financial institutions and counterparties

Given the high level of interdependence between financial institutions, the Issuer is and will be subject to the risk of actual or perceived deterioration of the commercial and financial soundness, or perceived soundness, of other financial services institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial and financial soundness of many financial institutions may be closely related as a result of its credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by the Issuer or by other institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, industry payment systems, clearing houses, banks, securities firms and exchanges with whom the Issuer interacts on a daily basis. Systemic risk could therefore have a material adverse effect on the Issuer's ability to raise new funding and on its business, financial condition, results of operations and prospects.

The Issuer routinely executes transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks and other institutional counterparties, resulting in large daily settlement amounts that may give rise to significant credit exposure. In particular, the Issuer interacts with these financial institutions through a variety of interbank electronic payments systems that underpin clearing and settlement amongst financial institutions. As a result, the Issuer faces concentration risk

with respect to specific counterparties including payment system participants and operators. In addition, the Issuer has counterparty and operational risk with LCH. Clearnet Limited that acts as a clearing provider, on an arm's-length basis, for central clearing of derivative transactions. A default by, or concerns about, the creditworthiness of these companies or one or more other financial services institutions could therefore have a material adverse effect on the Issuer's ability to raise new funding, financial condition, results of operations, liquidity or business prospects.

2.7 The Issuer faces risks associated with executing its strategy

A failure to achieve its strategic priorities and sustainability objectives would have an adverse impact on the Issuer's ability to attract and retain customers, its reputation and its business, results of operations, financial condition and prospects, which in turn could have an adverse impact on the price of the Covered Bonds in the secondary market.

Risks associated with the Issuer's strategy to drive growth in its loan portfolio and deposit base

In seeking to grow its business lending and unsecured personal lending books, the Issuer is susceptible to the risk of reduced asset quality and increased impairment losses in its customer loan portfolio due to it broadening its target market or loosening its underwriting or lending criteria in order to attract additional customers or applying a broader interpretation of existing underwriting or lending criteria. The Issuer is also subject to the risk of increased competition, including competition based on price, in seeking to grow its customer loan portfolio, which could adversely affect the Issuer's net interest margin and returns. Furthermore, banks seeking growth through increased lending volumes may also incur higher impairments and increased conduct risks, in particular those relating to the mis-selling of products or lending that is deemed irresponsible and/or services that are either poorly matched with, or superfluous to, customer needs. If the Issuer fails to manage these risks adequately, it could result in legal or regulatory action against the Issuer, reputational damage to its brands and adverse impacts on the implementation of its baseline strategy.

The Issuer's continued ability to maintain and grow its customer loan portfolio depends on continued access to customer deposits and other sources of funding in quantities sufficient to finance and refinance the portfolio at costs that the Issuer considers to be commercially acceptable. A key component of the Issuer's baseline strategy is to grow its retail and business deposits, and in particular to increase the volume of new PCA and BCA accounts, in order to fund the growth of its business and maintain the loans-to-customer deposits ratio ("**LDR**") at its targeted level. Access to customer deposits is subject to competition and market factors that are outside of the Issuer's control, and accordingly it may need to increase the interest rates it offers to customers in order to attract deposits, which may result in increased interest expense, reduced net interest income and reduced net interest margin. The Issuer may not be able to obtain and maintain access to sufficient customer deposits, or other sources of funding at costs which are commercially acceptable, to finance its planned medium-term growth.

Risks associated with the Issuer's strategy

Following the acquisition of VMUK by Nationwide, the Issuer's baseline strategy is expected to remain the same in the near-term. Nevertheless, tactical strategic priorities are being updated in line with CEO priorities and engagement with Nationwide. After completion of an 18-month review by Nationwide, Virgin Money's strategy may evolve in line with the Nationwide Group's strategy. A core part of the Issuer's baseline strategy is strengthening its digital platform to support the delivery of a consistent and seamless experience for customers through the Issuer's multi-channel distribution platform, creating new propositions to support new customer acquisition and customer retention and simplifying its operating platform to drive efficiency, process simplification and customer acquisition. If the Issuer fails to successfully execute this strategy, fails to invest sufficiently, fails to invest to the same extent as its competitors, fails to invest in appropriate technologies or customers (in particular business customers), or fails to adopt the high-tech, light touch service model that the Issuer's baseline strategy anticipates, the Issuer's business, results of operations, financial condition and prospects could be materially adversely affected. The Issuer also may be required to make further expenditure or investments (such as marketing, customer incentives or pricing changes) to achieve its strategic targets. There is a risk that the execution of the Issuer's digital strategy will increase the demands on its existing IT estate including on-boarding, monitoring and screening IT systems. The failure of any of these IT systems to meet such increased requirements could have a material adverse effect on the Issuer's business, results of operations, financial condition and prospects.

A risk event, such as compliance breaches, cyber-enabled crime and fraud (for further information, see the risk factor entitled "*The Issuer is exposed to risks associated with cyber-enabled crime and fraud*" below), or a significant operational or technology failure, may adversely affect the execution of the Issuer's strategy, which could lead to a material adverse effect on the Issuer's business, results of operations, financial condition and prospects.

Execution and other risks associated with the Issuer's baseline strategy

The Issuer's ability to implement its baseline strategy and any future strategy successfully is subject to execution risks, including those relating to the management of its cost base and limitations in its management and operational capacity. The implementation of its baseline strategy will require management to make complex judgements, including anticipating customer needs and customer behaviour across a wide range of retail and business banking products, and anticipating competitor activity, legal and regulatory changes and the likely direction of a number of macro-economic factors regarding the UK economy and the retail and business banking sector. In addition, the Issuer may fail to achieve management's guidance, targets or expectations in respect of the Issuer's net interest margin, operating and administrative expenses, profit before tax, total retail lending and/or business lending, business lending market share, PCA market share and/or BCA market share, or in the development of the Issuer's asset quality, CET1 capital and/or LDR, or other financial or key performance indicators.

The risk that some or all of these targets and expectations may fail to be achieved may be a consequence of internal factors such as a failure to effectively manage its cost base. The risk may also be exacerbated or caused by a number of external factors, including a downturn in the UK, European or global economy, increased competition in the UK retail and small and medium-sized enterprises ("**SMEs**") banking sector and/or significant or unexpected changes in the regulation of the financial services sector in the UK or Europe or in relation to the payment of dividends. A failure to successfully manage the implementation of its baseline strategy for the foregoing could have a material adverse effect on the Issuer's business, results of operations, financial condition and prospects.

2.8 The Issuer will be subject to risks related to volatility in UK house prices

The Issuer's primary activity is providing banking services to retail customers and to businesses, including mortgage lending in the UK secured against residential property. The value of that security is influenced by UK house prices. A substantial proportion of the Issuer's net interest income is derived from interest paid on its mortgage portfolio. Any deterioration in the quality of the Issuer's mortgage portfolio could have a material adverse effect on its business, financial condition, results of operations and prospects.

Historically, downturns in the UK economy have had a negative effect on the UK housing market. A fall in property prices could result in borrowers having insufficient equity to refinance their mortgage loans or being unable to sell the mortgaged property at a price sufficient to repay the amounts outstanding on the mortgage loan, which could lead to an increase in customer defaults. Increased defaults could lead to higher impairment provisions and losses being incurred by the Issuer. Higher impairment provisions could reduce its capital and its ability to engage in lending and other income-generating activities. As a result, a decline in house prices could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

In addition, a significant increase in house prices could have a negative impact on the Issuer by reducing the affordability of homes for first-time buyers or those looking to purchase more expensive properties and, if such increases were to result in a decrease in the number of customers that could afford to purchase houses, a reduction in demand for new mortgages. Sustained volatility in UK house prices could also discourage potential homebuyers from committing to a purchase, thereby limiting the Issuer's ability to grow its mortgage portfolio in the UK.

The UK Government's "Term Funding with additional incentives for SMEs scheme" (the "**TFSME scheme**") requires contractual repayment from 2024 onwards. As a result, UK banks have to replace these funds from other sources, which may be at a higher cost, which could lead to lower lending and/or higher mortgage interest rates and which could also contribute to volatility in house prices.

For information on the Issuer's exposure to the TFSME scheme, please refer to the risk factor entitled "*The Issuer is subject to risks relating to the availability of liquidity and funding at a commercially acceptable cost*" below.

Interest rates, which have been historically low for mortgages, experienced a series of sharp increases between September 2022 and November 2023. Although the majority of the Issuer's mortgage lending is on a fixed interest rate basis and most customers have been assessed at origination as to whether they can afford a higher interest rate, higher mortgage interest rates may still cause financial stress and shock to customers as they roll-off current fixed rate products on to new ones.

The future impact of tax, interest rates, economic conditions, regulatory changes or UK Government programmes for the UK housing market, and whether or not the Issuer participates in them, is difficult to predict and plan for. Volatility in the UK housing market occurring as a result of such changes, such as a decrease in mortgage volumes due to stricter lending criteria, or adverse impacts on house prices and mortgage collateral valuations, or for any other reason, could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

2.9 The Issuer is exposed to risks relating to the supply and affordability of property in the UK

The Issuer's owner-occupied and buy-to-let mortgage lending is and will be dependent on a number of factors related to the supply and affordability of property in the UK.

The Issuer's owner-occupied mortgage lending requires a supply of newly built or developed property coming to the market that relies on mortgage lending for financing, as well as transaction volumes within the market for existing property being at a sufficiently high level to support a profitable level of owner-occupied mortgage lending. A decrease in housing transaction volumes could lead to a reduction in demand for owner-occupied mortgages and a fall in related mortgage revenues, which could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

If house prices in UK regions where the Issuer has significant exposures begin to follow a significant falling trend, this would be likely to result in an increase in the Issuer's residential mortgage loan impairment charges as the value of the security underlying its mortgage loans is eroded. Higher impairment charges could reduce the Issuer's profitability, capital and its ability to engage in lending and other income generating activities and, therefore, could have a material adverse effect on the Issuer's business and potentially on its ability to implement its baseline strategy.

The Issuer's buy-to-let lending primarily targets lending to high and medium net worth clients looking to diversify their investments. The buy-to-let market in the UK is predominantly dependent upon yields from rental income to support mortgage interest payments and capital gains from capital appreciation. Falling or flat rental rates and decreasing capital values (whether accompanied by higher mortgage interest rates or not), coupled with stricter affordability tests introduced in 2017, the stamp duty surcharge on purchases of buy-to-let and second homes in England, the higher Welsh Land Transaction Tax rates on purchases of buy-to let and second homes in Wales and the Additional Dwelling Supplement tax on purchases of buy-to-let and second homes in Scotland and the stress-testing of interest rate rises, could reduce potential returns from buy-to-let properties. A reduction in demand for the Issuer's buy-to-let mortgages could have an adverse impact on profitability and thus a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

2.10 The Issuer is exposed to the risk of customers who have interest-only owner-occupied mortgage loans are unable to repay their loans in full at maturity

The Issuer provides mortgages to customers to enable them to purchase property for owner occupation. Such mortgages may be provided on a capital repayment basis, where the loan is repaid during its life, or on an interest-only basis, in which case the customer pays interest during the term of the mortgage loan with the principal balance being required to be repaid in full at maturity. In respect of owner occupied interest-only mortgage customers, assessments of capital repayment strategies may be incomplete or out-of-date, particularly for historic vintages, and consequently, the Issuer may lack information to accurately evaluate the related repayment risk. As a result, it may have reduced visibility of future repayment issues in respect of its interest-only residential mortgages, which could limit the Issuer's ability to estimate and establish provisions to cover exposures resulting from these mortgages.

Owner-occupied mortgage customers taking out interest-only mortgages are required by regulation to have capital repayment strategies, which may include sale of property. Where such repayment strategies are inadequate or have not been executed as planned, the Issuer is exposed to the risk that the outstanding principal balance on interest-only loans for owner-occupied mortgages is not repaid in full at the contractual maturity date. The Issuer provides a variety of solutions to support customers in such instances, but these solutions may not always result in customers being able to repay their loans or to continue to service the interest payments where the capital sum remains outstanding. Where the solutions are unsuccessful there may be increased impairment charges on the Issuer's owner-occupied mortgage portfolio which could have a material adverse effect on its profitability and, therefore, could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects. The risk increases if, at the maturity of the loan, the customer is no longer in paid employment and is relying on reduced sources of income, such as pension income or unemployment benefits, to continue to meet the loan interest payments and agreed capital repayments.

2.11 The Issuer may lose the right to use the "Virgin" and "Virgin Money" brands (which it does not own)

In order for the Issuer to use the "Virgin" and "Virgin Money" names and brands (which it does not own), the Issuer is required to comply with certain obligations under the brand licence agreement entered into between VMUK and Virgin Enterprises Limited ("**Virgin Enterprises**") on 18 June 2018 and as amended and updated on 1 October 2024 (as amended from time to time, the "**Brand Licence Agreement**").
In connection with the Acquisition (as defined under "*Corporate Structure -Information on the Issuer"* below) it was agreed that, amongst other things, the Brand Licence Agreement would be terminated automatically on the fourth anniversary of completion of the Acquisition ("**Completion**"), following which the Group would have a two-year period to re-brand ("**Cessation Period**"). In substitution for the exit fee arrangements under the existing Brand Licence Agreement, an exit fee of £250 million became payable by VMUK to Virgin Enterprises in two tranches: £125 million was paid within 12 business days of Completion, with a second instalment of £125 million being payable no later than the first anniversary of Completion.

Under the Brand Licence Agreement, Virgin Enterprises has the right to terminate the Brand Licence Agreement in certain circumstances, including amongst other things: (i) if VMUK challenges Virgin Enterprises' ownership of, entitlement to license and/or the validity of the licensed trademarks; (ii) on VMUK's insolvency; (iii) upon VMUK's material, unremedied breach of the Brand Licence Agreement; and (iv) if VMUK undergoes a change of control unless the change of control is a permitted change of control, which includes any change of control arising from any sale of the shares of VMUK which has been consented to by Virgin Enterprises (Virgin Enterprises is only entitled to withhold consent in limited circumstances). Loss of the Group's rights to use the "Virgin" and "Virgin Money" names and brands under the Brand Licence Agreement prior to the end of the Cessation Period could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

Virgin Enterprises may allow other Virgin Enterprises licensees to use the "Virgin" name and brand for financial products and services in certain defined circumstances. The use by any other Virgin Enterprises licensee of the "Virgin" name in relation to financial services and products may represent a dilution of the Group's exclusivity in the financial services field and could: (i) cause customer confusion and (ii) create potential reputational damage if the Virgin Enterprises licensee providing the ancillary financial products or services does anything that damages the goodwill of the brand.

2.12 The reputation of the Issuer and its brands may be damaged by the actions, behaviour or performance of numerous persons

The Issuer operates under its "Clydesdale Bank", "Yorkshire Bank", and "Virgin Money" brands. Virgin Enterprises permits the Issuer, subject to certain exclusions and reservations of rights, exclusive access to use the "Virgin Money" brand for the remaining term of the Brand Licence Agreement in respect of all banking and financial services and products which are offered in the ordinary course of business by UK clearing banks, challenger banks, all investment or savings products and services, and all insurance products and services, as well as certain related non-exclusive rights to use the "Virgin" trademarks. Any event or circumstance that causes damage to the Issuer or its brands could have a material adverse effect on its business, results of operations, financial condition and prospects.

The Issuer's brands may be damaged by the actions, behaviour or performance of its employees, affiliates, suppliers, counterparties, regulators, customers and/or other activists, or the financial services industry generally. A risk event, such as compliance breaches, cyber-enabled crime and fraud (for further information, see the risk factor below entitled "*The Issuer is exposed to risks associated with cyber-enabled crime and fraud*"), or a significant operational or technology failure, or a fall in customer service levels, or demonstrations by customers and/or other activists, may cause business disruption or adversely affect the perceptions of the Issuer held by the public, investors, customers, employees, regulators or rating agencies. A risk event itself may expose the Issuer to direct losses as a result of litigation, fines and penalties, remediation costs or loss of key personnel. There is also a risk that customers may not support the use of the "Virgin Money" brand, which may adversely impact the Issuer's business, results of operations, financial condition and prospects.

In particular, the "Virgin" brand is used in a wide range of different economic sectors in the UK and internationally. The Issuer is exposed to the risk that others associated with the "Virgin" brand, including Sir Richard Branson and his family or other companies which use the "Virgin" brand, may bring the brand into disrepute. The "Virgin" brand is positioned as an innovative brand and many of the ventures to which it is attached are in the public eye. The Issuer faces the risk that should any of such innovative activities not be successful, this will be heavily reported and there may be a negative effect on the reputation and the strength of the "Virgin" brand which may have similar consequences for the "Virgin Money" brand or the Issuer and its brands generally. Furthermore, should Sir Richard Branson cease to be connected to the "Virgin" brand, for example, through exiting the business or upon his death, the goodwill of the "Virgin" brand, especially the brand's popularity with consumers, may suffer a decline which may have similar consequences on the "Virgin Money" brand.

In addition to the above, whilst the Virgin Money brand will be retained up to the end of the Cessation Period, damage to the Nationwide brand and any reputational impacts arising from activities undertaken by Nationwide may also potentially affect the Issuer.

Reputational damage to the Issuer or its brands may adversely impact the Issuer's ability to attract and retain customers or employees in the short and long-term and the ability to pursue new business opportunities. It may also result in a higher risk premium being applied to the Issuer, which could adversely impact the cost of funding its operations and its financial condition.

2.13 The Issuer faces risks from the highly competitive environment in which it operates

The market for financial services in the UK faces many competitive pressures and the Issuer expects these pressures to continue in response to competitor behaviour, consumer expectations, technological changes, the impact of market consolidation and new market entrants, regulatory actions and other factors. In combination, these forces are placing increasing pressure on the Issuer's results of operations, digital capability, margins and returns through price pressure, reductions in fees and charges, increased marketing and other related expenses, investment demands, regulatory requirements and changes to capital requirements.

The UK banking industry continues to be dominated by the biggest five banks with a lack of a material shift in market share to challenger and specialist lenders, particularly in relation to the PCA and BCA markets. There is, however, some variation between each of the five largest banks with some increasing and others decreasing their market shares as they manage balance sheet growth in the context of their wider strategic agendas.

As the financial services markets in which the Issuer operates are generally mature, growth by any bank typically requires winning market share from competitors.

The Issuer faces competition from established financial services providers as well as new market entrants, including "digital banks", "challenger banks" and "neo banks" with specific areas of market focus, and non-bank competitors which, in some cases, have lower cost operating models and are therefore capable of generating better returns from asset growth. Competition in the UK mortgage market including from these banks seeking scale and growth over a short period of time is continuing to create downward price pressure on mortgage and other lending rates.

Further intervention in the UK banking industry is anticipated from regulators and authorities who are increasingly focusing on competition and market effectiveness. Low levels of switching in the UK

current account market have been seen as a major barrier to competition between banks and an impediment to customers receiving a potentially better service from a new supplier. The Payment Services Directive 2 (EU) 2015/2366 ("**PSD2**") as it forms part of domestic law of the UK under the EUWA creates the risk for the Issuer of disintermediation by third parties. In the UK, open banking regulation requires certain large banks to provide access to certain information via a standardised set of application programming interfaces ("**APIs**"). It also introduces a risk for the Issuer should it fail to adapt in a fast-changing environment.

As technology evolves and customer needs and preferences change, there is an increased risk of disruptive innovation or a failure by the Issuer to introduce new products and services to keep pace with industry developments and meet customer expectations. It is also subject to the risk of not appropriately responding to increased threats of cyber-crime associated with digital expansion (for further information, see the risk factor entitled "*The Issuer is exposed to risks associated with cyber-enabled crime and fraud*" below) and the industry-wide risk of traditional banking information technology infrastructure and digital technologies becoming obsolete. The Issuer expects to increasingly collaborate with innovative market players in order to develop compelling and secure customer propositions and to enhance operational performance; however, the Issuer's financial and operational performance may be materially adversely affected by an inability to keep pace with industry trend and customer expectations.

The credit card issuing business is highly competitive. The Issuer competes with other credit card issuers on the basis of a number of factors, including products and services, brand, network, reputation and pricing. This competition affects the ability of the Issuer to obtain applicants for credit cards, encourage card members to use their credit cards, maximise the revenue generated by card usage and generate card member loyalty and satisfaction so as to minimise the number of card members switching to other credit card brands. If the Issuer is unable to compete successfully, the Issuer's business, financial condition, results of operations and/or prospects could be materially adversely affected.

2.14 The Issuer may fail to attract or retain executives, senior managers or other key employees

The Issuer's success depends on the continued service and performance of its key employees, particularly its executives and senior managers, and its ability to attract, retain and develop high calibre talent. The Issuer may not succeed in attracting new talent and retaining key personnel for a variety of reasons, including as a result of the integration of the Group into Nationwide or if they do not identify or engage with the Issuer's purpose, brand and values, which represents a major component of its overall strategy. The Issuer competes for talented people with skills that are in relatively short supply and it may not have sufficient scale to offer employees rates of compensation or opportunities to advance within the organisation comparable to its larger competitors, particularly at more senior levels. Each of these factors could have an adverse effect on the Issuer's ability to recruit new personnel and retain key employees, which could, in turn, adversely affect the Issuer's business. In addition, external factors such as changing labour market dynamics including higher levels of job vacancies, macro-economic conditions, the regulatory environment developing to increase direct liabilities for bank employees, regulatory restrictions on incentivisation and/or continued negative media attention on the financial services industry may adversely affect employee retention, sentiment and engagement. Any failure to attract and retain key employees, including executives and senior managers, could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

3. Conduct Risk

3.1 The Issuer faces risks relating to complaints and redress issues from sales of historic financial products, which may not be covered by existing provisions

The Issuer faces conduct, financial and reputational risks as a result of legal and regulatory proceedings, relating to complaints and redress issues from sales of historic financial products (including claims management company driven legal or complaints campaigns) (see Note 5.1 to the financial statements in the September 2024 Issuer Interim Financial Report for further details of legal actions and regulatory matters involving the Issuer). It also faces such risks as a result of complaints made to it directly, to the Financial Ombudsman Service (the "**FOS**") or other relevant regulatory bodies, both against the Issuer and against members of the UK banking industry more generally. These conduct issues relate to inter alia fixed rate tailored business loans.

In addition, the Issuer may also face financial and reputational risks as a result of customer complaints, which might arise from matters such as inadequate communications or historic or current customer treatment in relation to certain products offered by the Group.

As part of the demerger from the National Australia Bank Limited ("**NAB**") group of companies (the "**NAB Group**"), NAB and VMUK entered into a conduct indemnity deed on 2 December 2015 under which NAB agreed to provide VMUK with an indemnity in respect of certain costs and liabilities (including financial penalties imposed by a regulator) resulting from certain historic conduct liabilities in the period prior to completion of the demerger (the "**Capped Indemnity Deed**" and the "**Capped Indemnity**", respectively) relating to the business of the Issuer. As at the completion of the demerger, the cover provided by the Capped Indemnity stood at £1.115 billion. The full amount of the remaining Capped Indemnity was drawn down in the first half of 2018. Since that point, all further conduct related costs are fully borne by the Issuer.

The Capped Indemnity is subject to a dispute resolution procedure which may result in any unresolved issues being determined by a third-party expert or by court proceedings.

In certain circumstances contemplated by the Capped Indemnity Deed, VMUK may also be required to repay to NAB certain amounts received by it under the Capped Indemnity. The likelihood of this situation arising is considered to be low as the funds have been withdrawn from the designated account in which they were held and these have been utilised, with the withdrawals being fully audited. In the unlikely event VMUK is required to repay to NAB amounts received by it under the Capped Indemnity, it would need to fund such repayments from its own capital resources.

It is possible that such claims or further claims relating to historic or future conduct matters may amount to a material capital exposure for the Issuer. Exposure to such claims may exceed the provisions of the Issuer which could have a material adverse effect on the Issuer's balance sheet. Such claims could therefore have a material adverse effect on the Issuer's business, results of operations, financial condition and prospects.

3.2 The Issuer is subject to substantial conduct regulations and regulatory oversight in respect of conduct issues

The Issuer is exposed to many forms of conduct and/or regulatory risk, which may arise in a number of ways. In particular: certain aspects of the Issuer's current or past business may be determined by its regulators including the FCA, the PRA, the Payment Systems Regulator ("**PSR**"), His Majesty's Treasury ("**HMT**"), the FOS, the UK Competition and Markets Authority (the "**CMA**"), the UK Information Commissioner's Office (the "**ICO**") or the courts, as not being conducted in accordance with applicable local or potentially, overseas laws or regulations, or, in the case of the FOS, with what is fair and reasonable in the FOS's opinion. If the Issuer fails to comply with any relevant regulations, there is a risk of an adverse impact on its business and reputation due to sanctions, fines or other actions imposed by the regulatory authorities.

The Issuer may be subject to further allegations of mis-selling of financial products, including as a result of having sales practices and/or reward structures in place that are determined to have been inappropriate, which may result in disciplinary action (including significant fines) or requirements to amend sales processes, withdraw products or provide restitution to affected customers, any or all of which could result in significant costs, which may require provisions to be recorded in the Issuer's financial statements and could adversely impact future revenues from affected products. See "*The Issuer faces risks relating to complaints and redress issues from sales of historic financial products, which may not be covered by existing provisions*" above for further information in relation to complaints and redress from historical sales of financial products.

The Issuer may be liable for damages to third parties harmed by the manner in which the Issuer has conducted one or more aspects of its business.

4. Regulatory Risks

The Issuer's business is subject to ongoing regulation and associated regulatory risks, including the effects of new and changing laws, rules, regulations, policies, voluntary codes of practice and interpretations of such in the UK. These laws, rules, and regulations include: (a) prudential regulatory developments; (b) increased regulatory oversight in respect of conduct issues; and (c) industry-wide

codes, guidance and initiatives. Each of these has costs associated with it, may significantly affect the way that the Issuer does business and may restrict the scope of its existing businesses, limit its ability to expand its product offerings or make its products and services more expensive for clients and customers. Developments across any of these three regulatory areas, discussed in greater detail below, could materially adversely affect the Issuer's access to liquidity, increase its funding costs, increase its compliance costs, delay, limit or restrict its strategic development and have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

4.1 The Issuer is subject to risks associated with compliance with a wide range of laws and regulations

The Issuer's operations are heavily regulated, and it must comply with numerous laws and regulations and may face enforcement action from regulators and others for any failure to comply. Regulatory compliance risk arises from a potential failure or inability to comply fully with the laws, regulations and codes applicable to the financial services industry. For example, UK financial institutions, including the Issuer, are subject to a high level of scrutiny by regulatory bodies (including the BoE, the FCA, the PRA, the Payment Systems Regulator, the CMA, the Pensions Regulator and the ICO) regarding the treatment of customers and also by the press and politicians. Financial institutions, including the Issuer and its employees, have also been subject to customer complaints and regulatory investigation and/or enforcement action regarding mis-selling of financial products, adequacy of systems and controls, handling of customers in arrears and conduct leading to customer detriment and the mishandling of related complaints which has resulted in disciplinary action and/or requirements to amend sales processes, withdraw products and/or provide restitution to affected customers, all of which result in costs and may require provisions in addition to those already taken. In particular, and in common with the wider UK retail and business banking sector, the Issuer continues to resolve outstanding complaints and redress issues arising out of historic sales of certain business loans. Further information is provided in the risk factor entitled "*The Issuer faces risks relating to complaints and redress issues from sales of historic financial products, which may not be covered by existing provisions*" above.

Regulatory enforcement actions pose a number of risks to the Issuer, including substantial monetary damages or fines, the amounts of which are difficult to predict and may exceed the amount of provisions set aside to cover such risks. In addition, the Issuer and/or its employees may be subject to other penalties and injunctive relief, civil or private litigation arising out of the same subject matters as a regulatory investigation, the potential for criminal prosecution in certain circumstances and regulatory restrictions. For further details of risks arising from regulations applicable to the Issuer, see the rest of this section "*Regulatory Risks*". All of these issues could have a negative effect on the Issuer's reputation and the confidence of its customers in the Issuer, as well as taking a significant amount of management time and resources away from the execution of the Issuer's strategy and the operation of its business.

The Issuer may settle litigation or regulatory proceedings prior to a final judgment or determination of liability to avoid the cost, diversion of management time and effort or negative business, regulatory or reputational consequences of continuing to contest liability or when the potential consequences of failing to prevail would be disproportionate to the costs of settlement. Furthermore, the Issuer may, for similar reasons, reimburse counterparties for their losses even in situations where there are no litigation proceedings and the Issuer does not believe that it is legally compelled to do so. Failure to manage these risks adequately could have a material adverse effect on the Issuer's reputation, business, results of operations, financial condition and prospects.

4.2 The Issuer is subject to substantial and changing prudential regulation

The Issuer faces risks associated with an evolving prudential regulatory environment, pursuant to which it is required, among other things, to maintain adequate capital resources and to satisfy specified capital ratios at all times.

Any future prudential regulatory developments could have a material adverse effect on the Issuer's business, results of operations and financial condition.

(a) ***Capital Requirements***

The UK CRD contains the core prudential requirements for UK credit institutions and investment firms and sets out minimum capital requirements for these firms. The UK CRD requires, on a consolidated

basis, each of the Group and the Issuer to hold a minimum amount of total regulatory capital of 8 per cent. of RWAs, a minimum amount of Tier 1 Capital of 6 per cent. of RWAs and a minimum amount of common equity Tier 1 ("**CET1**") Capital of 4.5 per cent. of RWAs (the "**Pillar 1 requirements**"). In addition, the UK CRD requires that several capital buffers are met with CET1 capital. The combination of (i) the capital conservation buffer, (ii) the time-varying countercyclical capital buffer, (iii) the global systemically important institutions buffer or other systemically important institutions buffer and (iv) the systemic risk buffer in each case, if relevant, constitute the "combined buffer".

The PRA has formally designated VMUK as an Other Systemically Important Institution (O-SII). Currently the Group is not subject to either a global or domestic systemically important buffer nor to a systemic risk buffer. The capital conservation buffer and the countercyclical capital buffer currently apply to the Group.

The capital conservation buffer is set at 2.5 per cent. of RWAs and needs to be met with an additional amount of CET1 capital. The primary objective of the countercyclical capital buffer is to achieve the broader macro-prudential goal of protecting the banking sector from periods of excess aggregate credit growth that have often been associated with the build-up of system-wide risk. The UK countercyclical capital buffer is dependent upon the BoE's view of credit conditions in the economy and will be set at 2 per cent. in a neutral risk environment. The BoE's Financial Policy Committee (the "**FPC**") would be expected to change countercyclical capital buffer requirements if it determines that the strength of the UK economy warrants such change. The UK countercyclical capital buffer has been set to 2 per cent. since July 2023.

The combined buffer sits on top of the Pillar 1 requirements. If an institution breaches the combined buffer, automatic safeguards apply to limit the amount of dividend and bonus payments it can make as well as limiting payments on additional tier 1 instruments.

In addition, the PRA requires the Group to hold extra capital to cover risks not covered or insufficiently covered by the Pillar 1 requirements (the "**Pillar 2A requirements**"). The Pillar 2A requirements sit on top of the Pillar 1 requirements so increase the combined buffer requirements and automatic safeguards. The PRA sets this additional capital requirement at least annually, derived from each firm's individual capital guidance. Under current PRA rules, the Pillar 2A must be met with at least 56 per cent. CET1 capital and no more than 25 per cent. tier 2 capital. In addition, the capital that firms use to meet their minimum requirements (Pillar 1 and Pillar 2A) cannot be counted towards meeting the combined buffer requirement. The PRA's framework also enables a PRA capital buffer which is not prescribed under the UK CRD. The PRA capital buffer (also known as Pillar 2B requirements) is set by the PRA on a bank-by-bank basis using supervisory judgement informed by the impact of stress scenarios on a bank's capital requirements and resources and taking account where appropriate of other factors including leverage, systemic importance and weaknesses in the bank's risk management and governance.

The Group has taken part in the BoE's Annual Cyclical Scenario exercise since 2021. The 2022/23 scenario tested the resilience of the UK banking system to deep simultaneous recessions in the UK and global economies, real income shocks, large falls in asset prices and higher global interest rates, as well as a separate stress of conduct costs. The PRA use the stress test results to assess the buffer requirements of participants but the results, published in July 2023, noted that no individual bank was required to strengthen capital requirements. The results of the Group on both a transitional and non-transitional basis were in excess of the published reference rates and there was no requirement to take any additional capital actions or submit a revised capital plan. However, a market perception or actual shortage of capital issued by the Issuer could result in regulatory actions, including requiring the Issuer to issue additional CET1 securities, requiring the Issuer to retain earnings or suspend dividends or issuing a public censure or the imposition of sanctions or limiting payments on additional tier 1 instruments. This may affect the Issuer's capacity to continue its business operations, generate a return on capital, pay future dividends or pursue other strategic opportunities, impacting future growth potential.

In addition, any increase in the Pillar 1 requirements, Pillar 2 requirements, the combined buffer or the PRA capital buffer would increase the capital requirements of the Issuer which could have a material adverse effect on the Issuer's business, results of operations and financial condition.

(b) ***Minimum requirement for own funds and eligible liabilities***

The Issuer is subject to the BoE's minimum requirement for own funds and eligible liabilities ("**MREL**"). This requires the Issuer to hold capital resources and eligible debt instruments equal to the greater of two times the sum of its Pillar 1 and Pillar 2A capital requirements or two times their applicable leverage ratio requirement. In addition to MREL, the Issuer must also hold any applicable capital buffers which, together with MREL, represent its loss absorbing capacity ("**LAC**") requirement.

An increase in the amount of own funds or eligible liabilities required to be issued by the Issuer, and/or other members of the Group may increase compliance costs, delay, limit or restrict the execution of the Issuer's strategy and may have a material adverse effect on the Issuer's capital structure, business, financial condition and results of operations.

(c) ***Operational risk capital***

In December 2017, the Basel Committee issued its finalised revisions to the standardised approach for measuring operational risk capital which is used by the Issuer. The PRA intends to implement the majority of these revisions from 1 January 2026. The revisions introduce a statistically superior measure of operational risk, termed the "Business Indicator", which will replace gross income as a key input for determining operational risk capital. In addition, the revisions remove the differentiation by business-line, which was found not to be a significant risk-driver. Instead, the size of the relevant bank is found to be a significant risk-driver and is incorporated into the new methodology. The changes will have to be transposed into UK law.

Basel 3.1 standards

In December 2023, the PRA released the first of two near–final Policy Statements covering the parts of the Basel III standards which have yet to be implemented in the UK. These are referred to as the "Basel 3.1 standards". Part one covered standards for market risk, Credit Valuation Adjustment ("**CVA**") risk, counterparty credit risk, operational risk and Pillar 2.

Part two, released in September 2024, covered revised standards for Credit Risk – Standardised Approach, Credit Risk – Internal Ratings Based Approach (IRB), Credit Risk Mitigation, the Output floor, Disclosure (Pillar 3) and Reporting. Part two also covered the parts of Pillar 2 which relate to the Pillar 2A Credit Risk Methodology, use of IRB Benchmarks and interaction with the Output floor.

The Policy material is published as near–final as HMT is first required to revoke the relevant parts of the CRR by way of a Statutory Instrument. The implementation date for the Basel 3.1 standards is 1 January 2026, subject to a four-year transitional period to achieve full implementation by 1 January 2030. In response the Issuer has commenced detailed work on each of the distinct chapters of the PRA Policy Statements to fully assess the impacts of the standards to assist with planning.

These changes may require the Group to hold additional operational risk Pillar 1 capital which could materially adversely affect the Issuer's access to liquidity, increase its funding costs, increase its compliance cost, delay, limit or restrict the execution of its strategy and have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

(d) ***Credit risk and risk-weighting of assets***

In December 2017, the Basel Committee published the final version of the measures it is taking to improve consistency and comparability in bank capital ratios, and thereby to restore confidence in risk-weighted capital ratios. These measures include: a revision to the standardised (non-modelled) approaches for calculating regulatory capital ratios that will also provide the basis for a capital floor; and reducing the modelling choices in the capital framework when determining internal model-based estimates of credit, market and operational risk weighted assets ("**RWAs**" or "**Risk Weighted Assets**"). The measures form part of the Basel Committee's broader work on reducing variability in RWAs and aim to reduce reliance on external credit ratings; increase risk sensitivity; reduce national discretions; strengthen the link between the standardised approach and the "Internal Ratings Based" ("**IRB**") approach; clarify the role of internal models (and thereby mitigate model risk from banks' internal model approaches); enhance comparability of capital requirements across banks; and overall ensure the standardised approach continues to be suitable for calculating the capital requirements for credit risk exposures in order to ensure a minimum level of capital across the banking system.

At the date of this Prospectus, the finalised standards are still required to be transposed into UK law. The PRA consultation on implementing Basel 3.1 in the UK was published in November 2022 and, following this, the 'near-final' policy statement was published in September 2024 with the reforms expected to become effective in the UK on 1 January 2026. Further detail is included in the section (c) (*Operational risk capital*) above. The Group is still working through the implications of the final rules and it is not possible to say with definitive certainty what impact the changes will have on the Group's capital requirements, Risk Weighted Assets, capital structure, business, financial condition and results of operations.

The final implementation of these final standards may increase the Group's capital requirements which may have a material adverse effect on the Issuer's capital structure, business, financial condition and results of operations.

(e) ***Residential mortgage risk weights (PS13/17)***

In June 2017, the PRA published a policy statement relating to residential mortgage risk-weights, including proposals to align firms' internal ratings based modelling approaches for residential mortgage risk-weighted assets, and sets out a number of modifications to the internal ratings based modelling methodologies for residential mortgages. On 14 May 2020, the PRA published a policy statement on probability of default and loss given default estimation for credit risk (PS11/20). Ahead of the Group's implementation of revised mortgage IRB models (including hybrid PD), a model adjustment has been applied to increase RWAs and expected losses in advance of formal approval of models.

Separately, the PRA Policy Statement PS16/21 published in July 2021 introduced a minimum expectation for mortgage risk weights from 1 January 2022 of at least 10 per cent. for all non-defaulted UK residential mortgage exposures which the Issuer complies with. Within the policy the PRA removed key impact proposals, noting they will consider carefully the calibration of the incoming PD and LGD parameter floors for mortgage exposures as part of the PRA's implementation of the Basel 3.1 standards. In addition, internal ratings based calibration changes may lead to changes in the Issuer's risk weights over time, affecting the Issuer's ability to meet capital requirements, and could therefore have a material adverse effect on the Issuer's business, results of operations and financial condition.

(f) ***Firms' assessment of Pillar 2 risks***

The PRA requires VMUK to hold capital to cover risks not covered or insufficiently covered by the Pillar 1 requirements of the UK CRD (the "**Pillar 2A requirements**") and may require VMUK to hold a further capital buffer which is not prescribed under the CRD. The Group has completed the 2022/2023 BoE stress testing exercise which is used to inform the Group's future capital requirements and/or targets. The BoE published results in July 2023, with the Group remaining significantly in excess of its reference rates on both a transitional and non-transitional basis. The BoE carried out a desk–based exercise in 2024 which did not require stressed projections from firms. The results were published in December 2024 and suggest that banks' aggregate capital ratios would remain above the hurdle rate in both a severe supply and demand shock scenario. The BoE plans to move from an annual to a biennial frequency for the bank capital stress test beginning in 2025. Future stress testing could increase the capital requirements of the Group which could have a material adverse effect on the Issuer's business, results of operations and financial condition.

The PRA regularly updates its rules relating to the Pillar 2 capital framework to which the Group is subject. The PRA intends to review the Pillar 2 methodologies after the rules implementing the Basel 3.1 standards have been finalised. In addition, the PRA plans to conduct an off–cycle review of firm–specific Pillar 2 capital requirements ahead of the implementation of the Basel 3.1 standards on 1 January 2026 to address potential double counting. Changes to these rules could result in an increase in compliance costs for the Group which may have a material adverse effect on the Issuer's capital structure, business financial conditions and results of operations.

(g) ***Leverage ratio risks***

The UK leverage ratio framework is intended to mirror aspects of the risk-weighted capital requirement. At least three-quarters of the leverage ratio requirement must be met with CET1 capital with the remainder being met with AT1 capital.

In addition, the framework requires that several leverage buffers are met with common equity Tier 1 Capital: (i) the countercyclical leverage ratio buffer ("**CCLB**"); and (ii) the additional leverage ratio buffer ("**ALRB**") to reflect systemic importance. The CCLB and ALRB are intended to make the leverage ratio framework equally resilient relative to the risk-weighted framework (i) over the cycle and (ii) for systemic and non-systemic firms. As a result, they are scaled at 35 per cent. of their risk-weighted equivalents with the CCLB rate percentage rounded to the nearest 10 basis points. At present the Group is subject to a CCLB, but is not subject to an ALRB.

Changes to the leverage ratio framework may lead to VMUK being required to hold additional capital and/or eligible liabilities. In addition, there may be costs in relation to compliance and ongoing monitoring and ensuring that reporting and disclosure obligations are being met. Certain changes may have an adverse effect on the Issuer's business, results of operations and financial condition.

(h) ***Recovery and Resolution***

Under the Banking Act, substantial powers are granted to the BoE (or, in certain circumstances, HMT), in consultation with the PRA, the FCA and HMT as appropriate as part of a special resolution regime (the "**SRR**").

These powers enable the Resolution Authority (the BoE) to implement various resolution measures and stabilisation options (including, but not limited to, the bail-in tool) with respect to a UK bank, building society or investment firm and certain of its affiliates (currently including the Issuer) (each a "**relevant entity**") in circumstances in which the Resolution Authority is satisfied that the relevant resolution conditions are met. Such conditions include that a relevant entity is failing or is likely to fail to satisfy the FSMA threshold conditions for authorisation to carry on certain regulated activities (within the meaning of section 55B of the FSMA).

The SRR consists of five stabilisation options: (a) private sector transfer of all or part of the business or shares of the relevant entity, (b) transfer of all or part of the business of the relevant entity to a "bridge bank" established by the BoE, (c) transfer to an asset management vehicle wholly or partly owned by HMT or the BoE, (d) the bail-in tool (as described below) and (e) temporary public ownership (nationalisation).

The stabilisation options are intended to be used prior to the point at which any insolvency proceedings with respect to the relevant entity could have been initiated. The purpose of the stabilisation options is to address the situation where all or part of a business of a relevant entity has encountered, or is likely to encounter, financial difficulties, giving rise to wider public interest concerns.

The Banking Act also provides for additional insolvency and administration procedures for relevant entities and for certain ancillary powers, such as the power to modify contractual arrangements in certain circumstances, powers to impose temporary suspension of payments, powers to suspend enforcement or termination rights that might be invoked as a result of the exercise of the resolution powers and powers for the Resolution Authority to disapply or modify laws in the UK (with possible retrospective effect) to enable the powers under the Banking Act to be used effectively.

The tools available under the Banking Act include share and property transfer powers (including powers for partial property transfers), bail in powers, certain ancillary powers (including powers to modify contractual arrangements in certain circumstances) and special insolvency procedures which may be commenced by the UK authorities. It is possible that the tools described above could be used prior to the point at which an application for insolvency proceedings with respect to a relevant entity could be made and, in certain circumstances, the UK authorities may exercise broad pre resolution powers in respect of relevant entities with a view to removing impediments to the exercise of the stabilisation tools.

In general, the Banking Act requires the UK authorities to have regard to specified objectives in exercising the powers provided for by the Act. One of the objectives (which is required to be balanced as appropriate with the other specified objectives) refers to the protection and enhancement of the stability of the financial system of the United Kingdom. The Banking Act includes provisions related to compensation in respect of instruments and orders made under it. In general, there is considerable uncertainty about the scope of the powers afforded to UK authorities under the Banking Act and how the authorities may choose to exercise them.

The BoE's preferred resolution strategy for the Nationwide Group is “bail-in”. Under such a strategy, capital instruments and eligible liabilities would be written down or converted to equity in order to recapitalise the Nationwide Group and/or the Group and allow for the continued provision of services and operations throughout resolution. The order in which the bail-in tool is applied reflects the hierarchy of capital instruments under UK CRD and otherwise respecting the hierarchy of claims in an ordinary insolvency. Accordingly, the more subordinated the claim, the more likely losses will be suffered by owners of the claim.

In addition, the Banking Act grants the power to the Resolution Authority to permanently write-down, or convert into equity, tier 1 capital instruments, tier 2 capital instruments and internal eligible liabilities at the point of non-viability of the relevant entity and before, or together with, the exercise of any stabilisation option (except in the case where the bail-in tool is to be utilised for other liabilities, in which case such instrument would be written down or converted into equity pursuant to the exercise of the bail-in tool rather than the mandatory write-down and conversion power applicable only to certain instruments).

For the purposes of the application of such mandatory write-down and conversion power, the point of non-viability is the point at which the Resolution Authority determines that the relevant entity meets the conditions for resolution (but no resolution action has yet been taken) or that the relevant entity will no longer be viable unless the relevant instruments are written down or converted or the relevant entity requires extraordinary public support without which, the Resolution Authority determines that the relevant entity would no longer be viable. If an instrument or order were to be made under the provisions of the Banking Act currently in force in respect of the Issuer, such action may (amongst other things) affect the ability of such entity to satisfy its obligations under the Transaction Documents (including limiting its capacity to meet its repayment obligations) and/or result in (i) the transfer of the Covered Bonds, (ii) the cancellation, modification or conversion to equity of certain unsecured liabilities of such entity under the Transaction Documents, including any unsecured portion of the liability in respect of the Covered Bonds at the relevant time, (iii) the de-listing, conversion and/or replacement of the Covered Bonds and/or (iv) modifications to the Terms and Conditions of the Covered Bonds (including variations of provisions relating to the interest payable, the maturity date or any other dates on which payments may be due) and/or the Transaction Documents. In particular, modifications may be made pursuant to powers permitting (i) certain trust arrangements to be removed or modified, (ii) contractual arrangements between relevant entities and other parties to be removed, modified or created where considered necessary to enable a transferee in the context of a property or share transfer to operate the transferred business effectively and (iii) in connection with the modification of an unsecured liability through use of the bail-in tool (including any unsecured portion of the liability in respect of the Covered Bonds at the relevant time), the reduction of the relevant liability (including to zero) and/or the discharge of a relevant entity from further performance of its obligations under a contract. In addition, subject to certain conditions, powers would apply to require a relevant instrument or order (and related events) to be disregarded in determining whether certain widely defined "default events" have occurred (which events may include trigger events included in the Transaction Documents in respect of the Issuer, including trigger events in respect of perfection of legal title to the Mortgage Loans and the Issuer Events of Default).

If an instrument or order were to be made under the Banking Act in respect of a relevant entity as described above (other than the Issuer), such action may have an impact on various other aspects of the transaction, including resulting in modifications to any unsecured liability of such entity under the Transaction Documents and, more generally, affecting the ability of such entities to perform their obligations under the Transaction Documents. As a result, the making of an instrument or order in respect of a relevant entity may affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee and/or otherwise adversely affect the rights and interests of the Covered Bondholders.

As noted above, the stabilisation tools may be used in respect of certain banking group companies provided certain conditions are met. If the LLP was regarded to be a banking group company and no exclusion applied, then it would be possible in certain scenarios for the relevant authority to exercise one or more relevant stabilisation tools (including the property transfer powers and/or the bail-in powers) in respect of it, which could result in reduced amounts being available to make payments under the Covered Bond Guarantee and/or in the modification, cancellation or conversion of any unsecured portion of the liability of the LLP under the Covered Bond Guarantee at the relevant time. In this regard, it should be noted that the UK authorities have provided an exclusion for covered bond vehicles, which exclusion is expected to extend to the LLP, although aspects of the relevant provisions are not entirely clear.

At present, the UK authorities have not made an instrument or order under the Banking Act in respect of the entities referred to above and there has been no indication that any such instrument or order will be made, but there can be no assurance that this will not change and/or that Covered Bondholders will not be adversely affected by any such instrument or order if made. While there is provision for compensation in certain circumstances under the Act, there can be no assurance that Covered Bondholders would recover compensation promptly and equal to any loss actually incurred. It should also be noted that any extraordinary public financial support provided to a relevant institution through any stabilisation action (such as temporary public ownership) would be used by the UK authorities as a last resort only after having assessed and exploited, to the maximum extent practicable, the resolution tools and powers described above.

Lastly, as a result of Directive 2014/59/EU providing for the establishment of an EEA-wide framework for the recovery and resolution of credit institutions and investment firms and any relevant national implementing measures, it is possible that an institution with its head office in an EEA state and/or certain group companies (such as a relevant Covered Bond Swap Provider) could be subject to certain resolution actions in that state. Once again, any such action may affect the ability of any relevant entity to satisfy its obligations under the Transaction Documents and there can be no assurance that Covered Bondholders will not be adversely affected as a result.

4.3 The Group is subject to BoE oversight in respect of resolution, and the Group could be adversely affected should the BoE deem the Group's preparations to be inadequate

The BoE and the PRA rules on a resolvability assessment framework (the "**Resolvability Assessment Framework**"), require the largest UK banks (including the Issuer) to perform an assessment of their preparations for resolution, in which they should identify any risks to successful resolution and the plans in place to address them, submit a report of that assessment to the BoE, and publish a summary of their most recent report. The Group has just completed the second Resolvability Assessment Framework cycle. A summary of its report and the BoE's assessment of the Group's preparations were released in August 2024.

Although the BoE assessment of the Group's report confirms that it has not identified any shortcomings, deficiencies, or substantive impediments to the Group achieving the resolvability outcomes described in the RAF Statement of Policy "*The Bank of England's approach to assessing resolvability*" the BoE identified one area for further enhancements and the Group has been working to deliver such enhancements as it continues to develop and improve its resolvability capabilities. The PRA has recently consulted on its approach to resolution assessments to provide greater flexibility over the timing of reporting. The proposed changes would eliminate the fixed dates for submissions and disclosures, moving away from the two-year cycle and allowing for periodic reporting and disclosure as directed by the PRA, but not more frequently than every two years. The results of the consultation are expected in early 2025.

Continuing compliance with the Resolvability Assessment Framework and any possible regulatory or other actions deriving therefrom may affect the way in which the Group is perceived by the market, which in turn may affect the value of the Covered Bonds.

4.4 Risks related to FSCS and depositor guarantee schemes

The FSCS pays compensation, up to certain limits, to eligible customers of financial services firms that are unable, or likely to be unable, to pay claims against them. As well as compensating customers when regulated firms fail, the FSCS's aim is to promote confidence in the financial system by limiting the system risk that the failure of a single firm might trigger resulting in a wider loss of confidence in the relevant financial sector. The Group is responsible for contributing to the FSCS through a levy. The aim of this levy is to support compensation payments made by the FSCS and to cover management expenses.

The Deposit Guarantee Schemes Regulations 2015, as amended by the Deposit Guarantee Scheme and Miscellaneous Provisions (Amendment) (EU Exit) Regulations 2018/1285 (the "**DGS Regulation**") ensures that all deposits up to £85,000 are protected through the FSCS deposit guarantee scheme. The rules are intended to enable depositors protected by the FSCS to have continuity of access to their accounts during resolution, as well as changes to the existing Single Customer View ("**SCV**") rules. All deposit taking firms subject to the regime are required to produce SCV files in a shortened time period for verification purposes and in the event of default. Firms are also required to update their SCV systems and mark eligible deposits in a way that allows immediate identification of them.

There can be no assurance that there will not be any increase to the FSCS levies payable by the Issuer. Any such increases in the costs and liabilities related to the levy may have a material adverse effect on the results of operations of the Issuer. Further costs and risks may also arise from discussions at governmental levels around the future design of financial services compensation schemes, such as increasing the scope and level of protection and moving to pre-funding of compensation schemes.

5. Operational and Technology Risk

5.1 The Issuer is exposed to risks associated with its IT systems

The Issuer's IT systems are critical to the operation of its business and the delivery of products and services to its customers. Any disruption in a customer's access to account information, delays in making payments, an inability to make cash withdrawals at the Issuer's ATMs or a failure of online or mobile banking platforms could have a significant negative effect on its reputation and could also lead to potentially large costs both to rectify the issue and to reimburse losses incurred by customers. In addition, any defect in the Issuer's standard documentation or defect in its electronic banking applications or mainframe could be replicated across a large number of transactions before the defect is discovered and corrected. This could significantly increase the cost of remediating the defect.

A range of standard form documentation and automatic banking systems are widely used in the Issuer's business to process high volumes of transactions. The Issuer focuses on the resilience and scalability of the IT systems that underpin online or mobile traffic and transactional volumes. However, there is a risk that the Issuer's IT systems may not be able to service significantly increased demand. In the future, the Issuer plans to upgrade its IT systems and staffing to meet such demand, which may cause delays to customers and adversely affect its customer service.

As the Issuer depends on a number of third-party providers for a variety of functions, including payment service provider systems, any disruption in such systems could have a disruptive effect on the Issuer's operations.

Further, the Issuer regularly conducts IT system upgrades. Should these upgrades not be completed as planned or become subject to significant delays or suffer from cost overruns, operational performance may suffer. Delays or cost overruns could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

Any disruption to the Issuer's IT systems, including, but not limited to those highlighted above, could have a material adverse effect on its business, financial condition, results of operations and prospects.

5.2 The Issuer is exposed to risks associated with cyber-enabled crime and fraud

The Issuer is subject to the risk of actual or attempted cyber and information security attacks and breaches from parties with criminal or malicious intent. Should the Issuer's layered controls fail to detect, prevent or mitigate a cyber-attack or data breach, or should an incident occur in a system for which there is limited resilience, there may be a material adverse effect on its business, financial condition, results of operations and prospects.

The Issuer continues to invest in its cyber and information security controls in response to emerging threats, such as cyber-enabled crime and fraud, and to seek to ensure that controls for known threats remain robust. The risks associated with cyber-attacks, where an individual or group seeks to exploit vulnerabilities in IT systems for financial gain or to disrupt services, are a material risk to the Issuer and the UK financial system, which has a high degree of interconnectedness between market participants, centralised market infrastructure and in some cases complex legacy IT systems. The Issuer cannot be certain that its infrastructure and controls will prove effective in all circumstances and any failure of the controls could result in significant financial losses and a material adverse effect on the Issuer's operational performance and reputation. The Issuer's strategy to increase its digital presence may expose the Issuer to increased risks associated with cyber-enabled crime and fraud. For more information on its digital strategy, please refer to the risk factor entitled "*Risks associated with the Issuer's strategy*" above.

Any breach in security of the Issuer's systems, for example from increasingly sophisticated attacks by cyber-crime groups or fraudulent activity in connection with customer accounts, could disrupt its business, result in the disclosure of confidential information, create significant financial and/or legal exposure and damage its reputation and/or brands, which could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

Rapid developments in artificial intelligence ("**AI**") could present wide ranging risks to the Issuer, with uncertainty over its potential disruptiveness remaining. The Issuer is developing AI use cases responsibly by mitigating inherent bias and ethical risks. However, it cannot be excluded that disruption to the Issuer's business, operations or processes resulting from the disruptive usage of AI, could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

5.3 The Issuer is exposed to operational risks related to inadequate or failed internal processes, people and systems and from external events

The Issuer's business is exposed to operational risks related to inadequate or failed internal processes, people and systems and from external events. Operational risks are inherent in the day-to-day operational activities of the Issuer, which may result in direct or indirect losses and could adversely impact the Issuer's business, financial condition, results of operations and prospects. These losses may result from both internal and external events, and risks. Internal risks include, but are not limited to, process error or failure, inadequate process design, poor product development and maintenance, poor change management, ageing infrastructure and systems, system failure, failure of security and physical protection (including the health and safety of employees), fraud, deficiencies in employees' skills, or the Issuer's ability to attract the skills required or manage poor performance or human error, or other idiosyncratic components of operational risk that are related to the Issuer's particular size, nature and complexity. External events include, but are not limited to, operational failures by third-party providers (including offshored and outsourced providers), actual or attempted external IT security breaches from parties with criminal or malicious intent, natural disasters, epidemics, pandemics, extreme weather events, political, security and social events and failings in the financial services industry. The Issuer is exposed to extreme but plausible events that are unpredictable and may result in a material or systemic loss, business interruption or significant reputational damage. Operational risks may be increased as a direct consequence of the process of integration, in particular due to problems with migrating data, systems (such as IT systems) or processes.

The Issuer is dependent on its information systems and technology from a system stability, data quality and information security perspective. The Issuer is dependent on payments systems and technology that interface with wider industry infrastructure; for example, the Issuer is, in common with other banks, dependent on various industry payment systems and schemes (including CHAPS, BACS, Faster Payments and SWIFT) for making payments between different financial institutions on behalf of customers. Internal or external failure of these systems and technology (including if such systems cannot be restored or recovered in acceptable timeframes or be adequately protected) could adversely impact

the Issuer's ability to conduct its daily operations and its business, financial condition, results of operations and prospects.

In addition, financial models are used extensively in the conduct of the Issuer's business; for example, in calculating capital requirements and measuring and stressing exposures. If the models used prove to be inadequate or are based on incorrect or invalid assumptions and judgements, this may adversely affect the Issuer's business, financial condition, results of operations and prospects.

The Issuer may look to implement new operational processes and systems to assist in responding to market developments, such as the move towards the use of open application programming interfaces that enable the secure sharing of user and financial services information with other financial services and third parties ("**Open Banking**") which is designed to enable personal customers and small businesses to share their data securely with other banks and with third parties, allowing them to compare products on the basis of their own requirements and to manage their accounts without having to use their bank, or to reflect changes in regulations, such as the UK General Data Protection Regulation (Regulation (EU) 2016/679, as it forms part of UK domestic law by virtue of the EUWA) whereby the Issuer must be able to report at any time to the ICO all locations where personal identifiable information is stored (for example within systems and databases) and provide a justification of why such personal identifiable information is needed. Due to the scale and complexity of such projects, the Issuer may be required to invest significant management attention and resources, which may divert attention away from normal business activities and other ongoing projects. Additionally, where changes are undertaken in an environment of economic uncertainty and increased regulatory activity and scrutiny, operational and compliance risks are magnified, which may impact the reputation and financial condition of the Issuer. There is also a risk that implementation may not be completed within expected timeframes or budget, or that such changes do not deliver some or all of their anticipated benefits.

While the Issuer is operationally resilient and has IT disaster recovery and business continuity plans in place, these are not, and are not intended to be a full duplication of the Group's operational systems and premises. Additionally, the Issuer is exposed to risks associated with an increase in the cost or lack of available insurance provision for the Issuer (including any run-off policies), which could have an adverse impact on profitability. The occurrence of a serious disaster resulting in interruptions, delays, the loss or corruption of data or the cessation of the availability of systems or premises could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects. Any actual or perceived inadequacies, weaknesses or failures in the Issuer's systems or processes could have a material adverse effect on its business, financial condition, results of operations and prospects. For further information, see the risk factor entitled "*The amount and quality of the Issuer's capital is subject to regulatory requirements and market influence*" below.

5.4 Risks Relating to the Acquisition by Nationwide

Integration of the Issuer into the Nationwide Group may be more time consuming and costly than expected and unforeseen difficulties may arise.

Nationwide will seek to integrate Virgin Money gradually, over multiple years, into the Combined Group. Nationwide intends to explore opportunities to achieve cost synergies across the Combined Group where possible (including the rationalisation of technology and systems), whilst maintaining its focus on good customer outcomes. The integration exposes the Issuer to the following risks to the operational performance of the Issuer:

1. Nationwide intends, over the medium term, to assess the systems of both Nationwide and the Virgin Money Group and rationalise those towards an optimal solution, to fulfil service commitments to the Combined Group's customers. Unforeseen challenges in any such rationalisation could prevent or delay the implementation thereof, give rise to complications or errors, result in increased costs, and/or increase the risk of cyber threat, data loss, service outage or other major IT incidents.

2. Management time devoted to the integration may distract from normal business operations and the efficiency, accuracy, continuity and consistency of the Issuer's control, administrative and support functions, such as financing operations, cash management, hedging, insurance, financial control and reporting, information technology, communications and risk functions.

3. The ongoing success of the Issuer will in part depend on its ability to retain, but also attract, hire and train qualified management as well as qualified technical personnel which may be impacted by the gradual integration of the Issuer into the Nationwide Group including due to alignment of governance and reporting structures, organisation cultures, employee benefits and engagement terms. In addition, in the course of the integration process, there is a risk that key staff may leave the Issuer leading to a loss of critical knowledge and expertise and increase in pension costs.

4. The Acquisition and expected integration may lead to additional unforeseen costs for the Issuer such as in relation to accounting harmonisation or otherwise that have not been planned for, with the risk of negative pressure on the Issuer's and/or the Combined Group's financial performance and operations; and

5. Reputational risks may arise from possible service disruptions from integration activities or other changes, leading to poor public perception and potential customer attrition (with associated loss of revenue, loss of deposits and/or a higher cost of funding). Additionally, uncertainty surrounding the integration could negatively impact employee morale, which could negatively impact productivity and service quality.

Any of the above factors may materialise and could have a material adverse effect on the business, financial condition, results of operation or prospects of the Issuer.

5.5 The Issuer's risk management policies and procedures may not be effective in protecting it against all the risks faced by its business, and any failure to manage properly the risks that it faces could harm the Issuer and its prospects

The management of risks requires, among other things, robust policies and procedures for the accurate identification and control of a large number of transactions and events. Such policies and procedures may not always prove to be adequate in practice against the wide range of risks that the Issuer faces in its business activities. There is a risk that the Issuer's existing policies may not adequately cover the nature of the Issuer's operations due to the introduction of processes or practices that are not currently part of the Issuer's operating model, thereby leading to losses or a deterioration in performance, which could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

The Issuer has a range of systems designed to measure and manage the various risks which it faces. Some of these methods are based on historic market and portfolio behaviour and may therefore prove to be inadequate for predicting future risk exposure, which may prove to be significantly greater than what is suggested by historic experience. Historical data may also not adequately allow prediction of circumstances arising due to UK Government interventions and stimulus packages, which increase the difficulty of evaluating risks. Other methods for risk management are based on evaluation of information regarding markets, customers or other information that is publicly known or otherwise available to the Issuer. Such information may not always be correct, updated or correctly evaluated. In addition, even though the Issuer constantly measures and monitors its exposures, there can be no assurance that its risk management methods will be effective, including in unusual or extreme market conditions. It is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on the Issuer's business, financial condition, results of operations and prospects.

5.6 The Issuer is subject to risks associated with its dependence on mortgage intermediaries and third-party service providers for certain functions

The Issuer depends on a number of third-party providers for a variety of functions including, *inter alia*, for mortgage intermediation, information technology ("**IT**") software and platforms, automated teller machine ("**ATM**") services, payment system services, mobile application services, debit and credit card production, customer servicing, operational services, cheque processing services and fund management and custodial services. Consequently, the Issuer relies on the continued availability and reliability of these service providers. If its contractual arrangements with any of these providers are terminated for any reason or any third-party service provider becomes otherwise unavailable or unreliable in providing the service to the required standard, it will be required to identify and implement alternative arrangements and it may not find an alternative third-party provider or supplier for the services, on a timely basis, on equivalent terms or without incurring a significant amount of additional costs or at all. These factors

could cause a material disruption in the Issuer's operations and ability to service customers and could have a material adverse financial or reputational impact on it. It may result in a higher risk premium being applied to the Issuer and adversely impact the cost of funding its operations, or its financial condition and could give rise to claims by customers for financial loss experienced and/or regulatory sanctions.

In maintaining and growing its mortgage portfolio, the Issuer relies on a number of intermediaries in the mortgage lending market, which exposes it to the risk of deterioration of the commercial, financial or operational soundness of those organisations. If a major intermediary partner goes out of business or switches allegiance to other lenders, this may adversely affect the Issuer's lending volume. The Issuer is also exposed to the risk that its relationships with one or more intermediaries may deteriorate for a variety of reasons, including competitive factors. In addition, the intermediaries' incentives may not always align with the Issuer's, which could lead to a deterioration in the quality and performance of the Issuer's mortgage book. As the Issuer seeks to actively grow the volume of mortgages introduced by intermediaries, its exposure to those risks increases.

In addition, the structure of the intermediary market is also subject to change, for example, there may be a change in customer sentiment or regulation which favours customers dealing directly with financial institutions which would reduce the flow of business from intermediaries which may have an adverse impact on the Issuer if this business cannot be substituted. Also, there may be consolidation in the intermediary market which may change the behaviour of the residual intermediaries in ways which may adversely impact the Issuer. Any of these factors could have a negative impact on the Issuer's ability to meet its strategic objectives for its asset base and, consequently, its business, financial condition, results of operations and/or prospects.

In addition, if mortgage intermediaries are found to have violated applicable conduct regulations or standards in the sale of the Issuer's mortgage products, the Issuer's brands and/or reputation could be harmed as a result. Reputational damage to the Issuer's brands caused by the failure of a third-party supplier may also adversely impact the Issuer's ability to attract and retain customers or employees in the short and long-term and the ability to pursue new business opportunities.

5.7 The Issuer must comply with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations, and a failure to prevent or detect any illegal or improper activities fully or on a timely basis could negatively impact customers and expose the Issuer to liability

The Issuer is subject to regulation and legislation regarding money laundering, the financing of terrorism, sanctions and in respect of bribery. The financial sanctions landscape in the UK continues to develop rapidly with an increase in volume and complexity of sanctions with which the Issuer must comply as a result of, *inter alia*, heightened geopolitical risks. Geopolitical risk and regulatory development is monitored closely by the Issuer however, monitoring compliance with financial crime related regulation, legislation and industry guidance can put a significant financial burden on banks and other financial institutions and requires significant technical capabilities and the appropriate level of skill, knowledge and experience. In recent years, enforcement of these laws and regulations against financial institutions has increased, resulting in several landmark fines against UK financial institutions. In addition, the Issuer cannot predict the nature, scope or effect of future regulatory requirements to which it might be subject or the manner in which existing laws might be administered or interpreted. Although the Issuer believes that its current policies and procedures are sufficient to comply with applicable financial crime related regulation and legislation, it cannot guarantee that such policies and procedures completely prevent situations of financial crime, including actions by the Issuer's customers, employees, mortgage intermediaries or third party service providers, for which it might be held responsible. Any such events may have severe consequences, including sanctions, fines and reputational consequences, which could have a material adverse effect on the Issuer's business, financial condition and results of operations.

5.8 The Issuer may be exposed to losses if critical accounting judgements or estimates are subsequently found to be incorrect or inaccurate

The preparation of the Issuer's financial statements require management to make estimates and assumptions and to exercise judgement in selecting and applying relevant accounting policies, each of which may directly impact the reported amounts of assets, liabilities, income and expenses, to ensure compliance with IAS as adopted by the UK Endorsement Board (or, before 1 October 2021, IFRS as endorsed in the EU). Some areas involving a higher degree of judgement, or where assumptions are

significant to the financial statements, include impairment provisions on credit exposures, expected credit loss, deferred tax, retirement benefit obligations and effective interest rate assumptions.

Following the Acquisition, changes were made to the Issuer's accounting policies, primarily to certain critical accounting estimates and judgements. The changes and the expected impact on reported results are set out in more details in Note 5.6 to the financial statements in the September 2024 Issuer Interim Financial Report. For information more generally on the Issuer's critical accounting estimates and judgements, see Note 1.3 to the financial statements in the September 2024 Issuer Interim Financial Report.

If the judgements, estimates and assumptions used by the Issuer in preparing its consolidated financial statements are subsequently found to be incorrect, there could be a significant loss recognised beyond that anticipated or provided for or an adjustment to those consolidated financial statements, which could have a material adverse effect on the Issuer's business, financial condition and results of operations.

In addition, the concept of an expected credit loss ("**ECL**") under IFRS 9 (either a 12-month or lifetime ECL) involves increased complexity and judgement, with the potential for ECLs to be more volatile, which could adversely impact the Issuer's results of operations, financial condition or prospects.

5.9 The Issuer faces risks associated with a failure to manage changes in taxation rates or applicable tax laws, or from a misinterpretation of such tax laws

The Issuer faces risks associated with changes in taxation rates or applicable tax laws, or misinterpretation of such tax laws, any of which could result in increased charges, financial loss, including penalties, and reputational damage. Any misinterpretation of tax laws that creates the perception that the Issuer is avoiding or evading tax, or if it is associated with customers that do so, could adversely affect its reputation. The Issuer operates wholly within the UK. Future actions by the UK Government to adjust tax rates or to impose additional taxes (including particular taxes and levies targeted at the banking industry) could reduce the Issuer's profitability. Revisions to tax legislation or to its interpretation might also affect the Issuer's results of operations and financial condition in the future. In addition, the UK has a predominantly self-assessment system for filing of tax returns. All tax returns have been filed by the Issuer within statutory deadlines, but His Majesty's Revenue & Customs ("**HMRC**") has the right to enquire into those returns post filing. Generally, an enquiry must be started within 12 months of filing. It is possible that an enquiry may result in a further liability to tax, which, if material, could have a material adverse effect on the Issuer's business, financial condition, results of operation and prospects.

Further details on recent changes to tax laws and tax rates and their impact on the Issuer is given in Note 2.4 to the financial statements in the September 2024 Issuer Interim Financial Report, which are incorporated by reference into this Prospectus.

6. Financial Soundness and Capital Risks

6.1 A downgrade in the credit rating of VMUK, the Issuer, Nationwide, the UK banking sector or the UK Government may have an adverse effect on the Issuer's business, results of operations, financial condition and prospects

Credit ratings are an important reference for market participants in evaluating the Issuer and its products, services and securities. Credit rating agencies conduct ongoing review activity which can result in changes to credit rating settings and outlooks of VMUK, the Issuer, Nationwide, the Covered Bonds, the UK banking sector and/or the UK Government. Review activity is based on a number of factors including the Issuer's financial strength and outlook, the assumed level of support for the Issuer from Nationwide and/or the UK Government in a crisis, the strength of Nationwide and the UK Government, and the condition of the financial services industry and the market generally.

Any future downgrade in the credit rating of VMUK, the Issuer, its respective securities, Nationwide, the UK banking sector or the sovereign rating of the UK could:

(a) adversely affect the Issuer's liquidity;

(b) undermine confidence in the Issuer;

(c) increase the Issuer's borrowing costs;

(d) require amendments to the Issuer's secured funding programmes;

(e) limit the Issuer's access to wholesale funding from capital markets at commercially acceptable costs; or

(f) limit the range of counterparties willing to enter into transactions with the Issuer (including under the Issuer's secured funding programmes), as many institutions require their counterparties to satisfy minimum ratings requirements,

and, consequently, have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

6.2 The Issuer is subject to risks relating to the availability of liquidity and funding at a commercially acceptable cost

Funding risk is the risk that the Issuer is unable to raise funding at a commercially acceptable cost to support the delivery of its strategic plan or sustain lending commitments. Liquidity risk is the risk that the Issuer is unable to meet its current and future financial obligations as they fall due. The Issuer's primary liquidity risk exposure arises through the redemption of customer deposits where customers have the ability to withdraw funds with limited or no notice. Exposure also arises from the refinancing of customer and wholesale funding at maturity and the ability to fund new and existing committed lending obligations including mortgage pipeline and credit card facilities.

The Issuer is predominantly funded by retail and business customer deposits, augmented with funding from a number of wholesale funding programmes (including RMBS securitisation programmes, a covered bond programme and a global medium term note programme). Following its launch in April 2020 until its closure in October 2021, the Issuer also accessed additional funding from the BoE's TFSME scheme, which was established to provide cost-effective funds to banks to support additional lending to the real economy and incentivise lending to SMEs during a period of economic disruption caused by COVID-19.

As part of its funding plan, the Issuer intends to continue to access the wholesale funding markets. If during periods of acute economic or market disruption there was a reduction in investor appetite for holding its securities or the wholesale funding markets were to be partially or fully closed, it is likely that wholesale funding would prove more difficult to obtain on commercially acceptable terms. Under such circumstances, the Issuer may incur additional costs and may be unable to successfully deliver its baseline strategy. Profound curtailments of central bank liquidity to the financial markets in connection with other market stresses, though unlikely, might have a material adverse effect on the Issuer's business, financial position and results of operations, depending on its funding position at that time.

Any downgrade in the credit rating of the Issuer, VMUK, any member of the Group, the Issuer's secured issuance vehicles or its respective securities, or a downgrade in the credit rating of Nationwide, or a downgrade in the sovereign credit rating of the UK, may increase the Issuer's borrowing costs or limit its access to the wholesale funding markets, which may increase re-financing risk, and, consequently, have a material adverse effect on its business, results of operations, financial condition and prospects. For further information, see the risk factor entitled "*A downgrade in the credit rating of VMUK, the Issuer, Nationwide, the UK banking sector or the UK Government may have an adverse effect on the Issuer's business, results of operations, financial condition* and prospects" above.

Any loss in consumer confidence in the Issuer could significantly increase the amount of deposit withdrawals that may occur in a short space of time. Should it experience an unusually high and/or unforeseen level of deposit withdrawals, the Issuer may require greater non-retail or business sources of other funding in the future, which it may be unable to access, which could in turn have a material adverse effect on its business, financial condition, results of operations and prospects.

Any initiative to raise additional deposits through price leadership could have an adverse impact on the Issuer's net interest income and margin through the cost of both paying higher interest rates to new customers and existing customers switching to these higher-rate products.

Failure to manage these or any other risks relating to the availability of liquidity and funding may compromise the Issuer's ability to deliver its growth strategy and have a material adverse effect on its business, financial condition, results of operations and prospects.

6.3 The amount and quality of the Issuer's capital is subject to regulatory requirements and market influence

Capital risk is the risk that the Issuer does not have sufficient capital and reserves of sufficient quality to meet prudential regulatory requirements, achieve its baseline strategy, cover the risks to which it is exposed or protect against unexpected losses. The Issuer is required to maintain minimum levels of capital and reserves relative to the balance sheet size and risk profile of its operations.

If, during periods of acute economic or market disruption the wholesale markets were to be fully or partially closed, or if the Issuer has, or is perceived to have, a shortage of regulatory capital, access to sources of capital and funding may become constrained, more expensive or unavailable. This, in turn, may affect the Issuer's capacity to pay future dividends and make other distributions, continue its business operations or implement its business strategy, impacting future growth potential. Separately, the Issuer may address a shortage of capital by acting to reduce leverage exposure and/or risk weighted assets, by way of business disposals. Such actions may impact the profitability of the Issuer.

The Issuer may experience a depletion of its capital resources through increased costs or liabilities incurred as a result of the crystallisation of any of the other risk factors described elsewhere in this section. The Issuer may also experience an increased demand for capital as a result of regulatory requirements. For further information, see "*Regulatory Risks – The Issuer is subject to substantial and changing prudential regulation*" above. Additional capital may also be required to redress issues from historical sales of financial products. Further information is provided in "*The Issuer faces risks relating to complaints and redress issues from sales of historic financial products, which may not be covered by existing provisions*" above.

The Issuer may also be impacted by certain revisions for calculating regulatory capital, including revisions to the regulatory capital treatment of interest rate risk in the banking book and the standardised approaches for credit risk and operational risk, as described further under "*Regulatory Risks – The Issuer is subject to substantial and changing prudential regulation*" above recently released by the Basel Committee on Banking Supervision (the "**Basel Committee**").

The Issuer sets its target amount of capital by taking into account its regulatory requirements, market expectations and its assessment of the risk profile of the business, as evidenced by performance in stress testing. If market expectations as to capital levels increase, driven by, for example, the capital levels or targets amongst peer banks or if new regulatory requirements are introduced, then the Issuer may be required to increase its capital held. If it is unable to do so, its business, financial condition, results of operations and prospects may be materially adversely affected. Ultimately, if there is a significant shortfall in the amount of capital held, it may lead to the BoE exercising its recovery and resolution powers over the Issuer.

7. Other risks

7.1 The Issuer is subject to risks associated with its hedging and treasury operations, including potential negative fair value adjustments

The Issuer faces risks related to its hedging and treasury operations. The Issuer engages in hedging activities, for example in relation to interest rate risk, to limit the potential adverse effect of interest rate fluctuations on its results of operations. The Issuer's treasury operations have responsibility for managing the interest rate risk that arises through its customer facing business, management of its liquid asset buffer and investment of free reserves and interest rate insensitive deposit balances. Interest rate hedges for both customer assets and liabilities are calculated using a behavioural model. However, the Issuer does not hedge all of its interest rate, foreign exchange and other risk exposures and cannot guarantee that its hedging strategies will be successful because of factors such as behavioural risk, unforeseen volatility in interest rates or other market prices or, in times of market dislocation, the decreasing credit quality, or unavailability, of hedge counterparties. The Issuer also has cross currency hedging instruments in place for non-pounds sterling funding. If its hedging strategies are not effective, the Issuer may be required to

record negative fair value adjustments. Material losses from the fair value of financial assets would also have an adverse impact on the Issuer's capital held.

The Issuer has a structural hedge in place to minimise volatility on income related to low and non-interest bearing deposits and equity. There is a risk that if interest rates were to fall, the Issuer will face margin compression as maturities are reinvested at prevailing market rates or if customer behaviours were to change significantly, these deposits might become more volatile and may no longer be suitable for swaps of the current duration, which could have a material adverse effect on the income generated by these balances. For further information on the impact of interest rates on the Issuer see "*The Issuer is subject to risks associated with interest rate levels and volatility"* above.

Through its treasury operations, the Issuer holds liquid assets portfolios potentially exposing the Issuer to interest rate risk, basis risk and credit spread risk. To the extent that volatile market conditions occur, the fair value of the Issuer's liquid assets portfolios could fall and cause the Issuer to record mark-to-market losses. In a distressed economic or market environment, the fair value of certain of the Issuer's exposures may be volatile and more difficult to estimate because of market illiquidity. Valuations in future periods, reflecting then-prevailing market conditions, may result in significant negative changes in the fair value of the Issuer's exposures, which could have a material adverse effect on the Issuer's business, financial condition and results of operations.

7.2 The Issuer may be required to increase its contributions to the Yorkshire and Clydesdale Bank defined benefit pension scheme (the "DB Scheme") to fund deficits

The Issuer is the sole sponsoring employer of the DB Scheme. As this is a defined benefit pension scheme, the assets and liabilities of the DB Scheme are managed by an independent Corporate Trustee Board and are operated completely separately from the Issuer and the wider Group. Under the DB Scheme, benefits are based on employees' years of service, their salaries (using either a career average formula or final salary formula) and are index-linked. Risk to the Issuer arises from the DB Scheme because from time to time there may be insufficient assets to cover the value of the liabilities (or member benefits) already built up in the scheme. In the case of such a DB Scheme deficit, the Issuer is obliged by legislation and the governing documents of the scheme to ultimately ensure that the scheme liabilities are met.

This could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

B. RISKS RELATING TO THE COVERED BONDS

1.1 Finite resources available to the LLP to make payments due under the Covered Bond Guarantee

Following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice on the Issuer, all amounts payable under the Covered Bonds will be accelerated by the Bond Trustee as against the Issuer, following which a Notice to Pay will be served by the Bond Trustee on the LLP. The LLP's ability to meet its obligations under the Covered Bond Guarantee will depend on: (i) the realisable value of Selected Mortgage Loans and their Related Security in the Mortgage Portfolio; (ii) the amount of Revenue Receipts and Principal Receipts generated by the Mortgage Portfolio and the timing thereof; (iii) amounts received from the Swap Providers; (iv) the realisable value of Substitution Assets held by it; and (v) the receipt by it of credit balances and interest on credit balances on the LLP Accounts. Recourse against the LLP under the Covered Bond Guarantee is limited to the aforementioned assets and the LLP will not have any other source of funds available to meet its obligations under the Covered Bond Guarantee.

If an LLP Event of Default occurs and the Security created by or pursuant to the Deed of Charge is enforced, the Charged Property may not be sufficient to meet the claims of all the Secured Creditors, including the Covered Bondholders.

If, following enforcement of the Security constituted by or pursuant to the Deed of Charge, the Secured Creditors have not received the full amount due to them pursuant to the terms of the Transaction Documents, then they may still have an unsecured claim against the Issuer for the shortfall. There is no guarantee that the Issuer will have sufficient funds to pay that shortfall.

Covered Bondholders should note that the Asset Coverage Test has been structured to ensure that the Adjusted Aggregate Loan Amount is equal to or in excess of the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding, which should reduce the risk of there ever being a shortfall (although there is no assurance of this – in particular, the sale of further Mortgage Loans and Related Security by the Seller to the LLP may be required to avoid or remedy a breach of the Asset Coverage Test). The LLP and the Seller (in its capacity as Member) must ensure that following the occurrence of an Issuer Event of Default, the Amortisation Test is met on each Calculation Date and a breach of the Amortisation Test will constitute an LLP Event of Default and will entitle the Bond Trustee to serve an LLP Acceleration Notice on the LLP (see "*Summary of the Principal Documents – LLP Deed – Asset Coverage Test" and "Credit Structure – Asset Coverage Test*"). The Asset Coverage Test and the Yield Shortfall Test have in the aggregate been structured to ensure that the Asset Pool is sufficient to pay amounts due on the Covered Bonds and senior ranking expenses which will include costs relating to the maintenance, administration and winding-up of the Asset Pool whilst the Covered Bonds are outstanding. However no assurance can be given that the Asset Pool will yield sufficient amounts for such purpose.

1.2 Differences in timings of obligations of the LLP and the Covered Bond Swap Providers under the Covered Bond Swaps

With respect to the Covered Bond Swaps, the LLP will pay a monthly amount on each LLP Payment Date to each Covered Bond Swap Provider, based on a compounded daily SONIA rate over the relevant Covered Bond Swap Observation Period. Each Covered Bond Swap Provider will not be obliged to make corresponding swap payments to the LLP under a Covered Bond Swap for up to 12 months until amounts are due and payable by the LLP under the Intercompany Loan Agreement (prior to the service of a Notice to Pay or LLP Acceleration Notice on the LLP) or are Due for Payment under the Covered Bond Guarantee (after the service of a Notice to Pay or LLP Acceleration Notice on the LLP). If a Covered Bond Swap Provider does not meet its payment obligations to the LLP under the relevant Covered Bond Swap and such Covered Bond Swap Provider does not make a termination payment that has become due from it to the LLP, the LLP may have a larger shortfall in funds with which to make payments under the Covered Bond Guarantee or Intercompany Loan Agreement with respect to the Covered Bonds than if the Covered Bond Swap Provider's payment obligations coincided with LLP's payment obligations under the Covered Bond Guarantee or Intercompany Loan Agreement. Hence, the difference in timing between the obligations of the LLP and the Covered Bond Swap Providers under the Covered Bond Swaps may affect the LLP's ability to make payments under the Covered Bond Guarantee or Intercompany Loan Agreement with respect to the Covered Bonds.

1.3 Excess Proceeds received by the Bond Trustee

Following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice, the Bond Trustee may receive Excess Proceeds. The Excess Proceeds will be paid by the Bond Trustee on behalf of the Covered Bondholders of the relevant Series to the LLP for its own account, as soon as practicable, and will be held by the LLP in the LLP Accounts and the Excess Proceeds will thereafter form part of the Security and will be used by the LLP in the same manner as all other monies from time to time standing to the credit of the LLP Accounts. Any Excess Proceeds received by the Bond Trustee will discharge *pro tanto* the obligations of the Issuer in respect of the Covered Bonds and Coupons (subject to restitution of the same if such Excess Proceeds shall be required to be repaid by the LLP). However, the obligations of the LLP under the Covered Bond Guarantee are unconditional and irrevocable (following service on the LLP of a Notice to Pay) and the receipt by the Bond Trustee of any Excess Proceeds will not reduce or discharge any such obligations.

By subscribing for Covered Bond(s), each Covered Bondholder will be deemed to have irrevocably directed the Bond Trustee to pay the Excess Proceeds to the LLP in the manner as described above.

1.4 Risks relating to Covered Bonds which are linked to benchmarks

Interest rates or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory review and reform. These reforms may cause such benchmarks to perform differently than in the past, a benchmark could be eliminated entirely, or there could be other consequences that cannot be predicted. Any such consequence could have a material adverse effect on any Covered Bonds linked to such a benchmark.

Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (as amended, the "**EU Benchmarks Regulation**") and the UK Benchmarks Regulation (as defined on the cover page) apply to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU and the UK, respectively. These regulations could have a material impact on any Covered Bonds linked to or referencing a benchmark, in particular if the methodology or other terms of the benchmark are changed in order to comply with the requirements of any such regulation. In each case, such changes could, among other things, have the effect of reducing or increasing the rate or level, or affect the volatility of, the published rate or level of the benchmark.

More broadly, any of the international or national reforms, or the general increase in regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain benchmarks, trigger changes in the rules or methodologies used in certain benchmarks or lead to the discontinuation or unavailability of quotes of certain benchmarks.

For Covered Bonds which are linked to any affected benchmark, uncertainty as to the nature of alternative reference rates and as to potential changes or other reforms to such benchmark may adversely affect such benchmark rates during the term of such Covered Bonds and the return on, value of and the trading market for such Covered Bonds.

In particular, prospective investors should be aware that:

(a) any of these reforms or pressures described above or any other changes to a relevant interest rate benchmark (including EURIBOR, SONIA and SARON) could affect the level of the published rate, including to cause it to be lower and/or more volatile than it would otherwise be;

(b) if EURIBOR is discontinued and an amendment as described in paragraph (e) below has not been made, then the rate of interest on the relevant Floating Rate Covered Bonds will be determined for a period by the relevant fall-back provisions of Condition 5(b)(ii) (*Rate of Interest*), (including Condition 5(b)(ii)(B) (*Screen Rate Determination for Floating Rate Covered Bonds not referencing Compounded Daily SONIA*)), although such provisions, being dependent in part upon the provision by Reference Banks of offered quotations for the EURIBOR rate, may not operate as intended depending on market circumstances and the availability of rates information at the relevant time and may result in the effective application of a fixed rate based on the rate which applied in the previous period when EURIBOR (as applicable) was available;

(c) if SONIA is discontinued or otherwise unavailable and an amendment as described in paragraph (e) below has not been made, then the rate of interest on the relevant Floating Rate Covered Bonds will be determined for a period by the relevant fall-back provisions of Condition 5(b)(ii) (*Rate of Interest*) (including Condition 5(b)(ii)(C) *(Screen Rate Determination for Floating Rate Covered Bonds referencing Compounded Daily SONIA*)). Such provisions may result in the effective application of a fixed rate based on the rate which applied in the previous period when SONIA was available;

(d) if SARON is discontinued or otherwise unavailable and an amendment as described in paragraph (e) below has not been made, then the rate of interest on the relevant Floating Rate Covered Bonds will be determined for a period by the relevant fall-back provisions of Condition 5(b)(ii) (*Rate of Interest*) (including Condition 5(b)(ii)(D) (*Screen Rate Determination for Floating Rate Covered Bonds referencing SARON*)). Such provisions may result in the effective application of a fixed rate based on the rate which applied in the previous period when SARON was available;

(e) while an amendment may be made under Condition 15(b) (*Modifications and waivers*) of the Conditions of the Covered Bonds to change EURIBOR, SONIA, SARON or other benchmark rate (as applicable) on the relevant Floating Rate Covered Bonds to an alternative base rate under certain circumstances broadly related to dysfunction, disruption or discontinuation of the original reference rate and subject to certain conditions there can be no assurance that any such amendment will be made or, if made, that it (i) will fully or effectively mitigate interest rate

risks or result in an equivalent methodology for determining the interest rates on the relevant Floating Rate Covered Bonds or (ii) will be made prior to any date on which any of the risks described in this risk factor may become relevant; and

(f) if EURIBOR, SONIA, SARON or any other relevant benchmark is discontinued, and whether or not an amendment is made under Condition 15(b) (*Modifications and waivers*) to change EURIBOR, SONIA, SARON or other benchmark rate (as applicable) on the relevant Floating Rate Covered Bonds as described in paragraph (e) above or in any associated swap or other arrangements under the Transaction Documents, there can be no assurance that the applicable fall-back provisions under the Swap Agreements would operate so as to ensure that the base floating interest rate used to determine payments under the Swap Agreements is the same as that used to determine interest payments under the Covered Bonds, or that any such amendment made under Condition 15(b)(iii) (*Base Rate Modifications*) would allow the conditions under the Swap Agreements to effectively mitigate interest rate and currency risks on the Covered Bonds.

Investors should note the various circumstances under which a Base Rate Modification may be made, which are specified in sub-paragraphs (1) to (5) of Condition 15(b)(iii)(A). As noted above these events broadly relate to dysfunction, disruption or discontinuation of the relevant Reference Rate, but also include, *inter alia*, any public statements by the relevant administrator or its supervisor to that effect, and a Base Rate Modification may also be made if the Issuer reasonably expects any of these events to occur within six months of the proposed effective date of such Base Rate Modification. Investors should also note the various options permitted as an Alternative Base Rate as set out in sub-paragraphs (1) to (4) of Condition 15(b)(iii)(B), which include, *inter alia*, a base rate utilised in a material number of publicly-listed new issues of floating rate covered bonds or floating rate senior unsecured notes (and for these purposes, unless agreed otherwise by the Bond Trustee, five (5) such issues shall be considered material). Investors should also note the negative consent requirements in relation to a Base Rate Modification (as to which see "*Risk Factors – Risk Factors related to a particular issue of Covered Bonds" – "Covered Bondholders will be deemed to have consented to certain modifications to the Transaction Documents so long as holders of at least 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds have not contacted the Bond Trustee, the Issuer and the Principal Paying Agent (collectively) in writing"* below).

In addition, it should be noted that broadly divergent interest rate calculation methodologies may develop and apply as between Mortgage Loans, the Covered Bonds and/or the Swap Agreements due to applicable fall-back provisions or other matters and the effects of this are uncertain but could include a reduction in the amounts available to the Issuer to meet its payment obligations in respect of the Covered Bonds.

Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Covered Bonds linked to a benchmark or could have a material adverse effect on the value or liquidity of, and the amount payable under such Covered Bonds. Investors should consider these matters when making their investment decision with respect to such Covered Bonds.

Investors should also consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation, the UK Benchmarks Regulation and any other regulations relating to benchmarks and/or any possible cessation or reform of certain reference rates.

1.5 The market continues to develop in relation to Covered Bonds that reference SONIA or SARON

The use of risk-free rates, such as SONIA and SARON, as a reference rate in the capital markets continues to develop. This relates not only to the substance of the calculation and the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates, but also how widely such rates and methodologies might be adopted.

The market or a significant part thereof may adopt an application of SONIA and/or SARON that differs significantly from that set out in the "*Terms and Conditions of the Covered Bonds*" and used in relation to Covered Bonds that reference a SONIA or SARON rate issued under this Programme. The Issuer may in the future also issue Covered Bonds referencing SONIA, Compounded Daily SONIA, SARON or SARON Compounded that differ materially in terms of interest determination when compared with any

previous SONIA, Compounded Daily SONIA, SARON or SARON Compounded referenced Covered Bonds issued by the Issuer under this Programme. The development of Compounded Daily SONIA, SONIA Compounded Index and SARON Compounded as an interest reference rate for the Eurobond markets, as well as continued development of SONIA and SARON based rates for such markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of any SONIA or SARON referenced Covered Bonds issued under this Programme from time to time.

In addition, the manner of adoption or application of the SONIA and SARON reference rates in the Eurobond markets may differ materially compared with the application and adoption of SONIA and SARON in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of the SONIA and SARON reference rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Covered Bonds referencing SONIA or SARON.

In particular, investors should be aware that several different methodologies have been used in notes linked to SONIA and SARON issued to date and no assurance can be given that any particular methodology, including the compounding formula in the terms and conditions of the Covered Bonds, will gain widespread market acceptance. In addition, the methodology for determining SONIA, Compounded Daily SONIA, SARON or SARON Compounded used to determine the Rate of Interest in respect of certain Covered Bonds could change during the life of such Covered Bonds see "*The administrators of SONIA and SARON or related indices may make changes that could change the value of SONIA and SARON or any related index (as applicable) or discontinue SONIA, SARON or any related index*" below.

Since SONIA and SARON and related indices are relatively new market indices, Covered Bonds linked to SONIA or SARON or related indices may have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities referencing SONIA or SARON or related indices, such as the spread over the relevant index reflected in interest rate provisions, may evolve over time, and trading prices of such Covered Bonds may be lower than those of later-issued indexed debt securities as a result. Further, if SONIA or SARON or related indices do not prove to be widely used in securities like the Covered Bonds, the trading price of such Covered Bonds linked to SONIA or SARON or related indices, as the case may be, may be lower than those of Covered Bonds linked to indices that are more widely used. Investors in such Covered Bonds may not be able to sell such Covered Bonds at all or may not be able to sell such Covered Bonds at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk. Investors should consider these matters when making their investment decision with respect to any Covered Bonds.

Certain administrators of risk-free rates, such as SONIA and SARON, have published hypothetical and actual historical performance data. Hypothetical data inherently includes assumptions, estimates and approximations and actual historical performance data may be limited in the case of certain risk-free rates. Investors should not rely on hypothetical or actual historical performance data as an indicator of the future performance of any risk-free rates.

Investors should consider these matters when making their investment decision with respect to any Covered Bonds which reference SONIA or SARON or related indices.

1.6 Risk-free rates, such as Compounded Daily SONIA, SONIA Compounded Index, SARON and SARON Compounded, differ from interbank offered rates in a number of material respects and have a limited history

Compounded Daily SONIA, SONIA Compounded Index, SARON and SARON Compounded are risk-free rates. Risk-free rates may differ from interbank offered rates in a number of material respects. These include (without limitation) being backwards-looking, in most cases, calculated on a compounded or weighted average basis, risk-free, overnight rates, whereas interbank offered rates are generally expressed on the basis of a forward-looking term and include a risk-element based on interbank lending. As such, investors should be aware that Compounded Daily SONIA, SONIA Compounded Index, SARON and SARON Compounded as risk-free rates may behave materially differently to interbank offered rates as interest reference rates for the Covered Bonds.

Risk-free rates offered as alternatives to interbank offered rates also have a limited history. For that reason, future performance of such rates may be difficult to predict based on their limited historical performance. The level of SONIA or SARON or related indices during the term of the Covered Bonds may bear little or no relation to historical levels. Prior observed patterns, if any, in the behaviour of market variables and their relation to SONIA or SARON or related indices such as correlations, may change in the future. Investors should not rely on historical performance data as an indicator of the future performance of such risk-free rates nor should they rely on any hypothetical data.

Furthermore, interest on the Covered Bonds which reference SONIA or SARON or related indices is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Covered Bonds which reference SONIA or SARON or related indices to reliably estimate the amount of interest which will be payable on such Covered Bonds, and some investors may be unable or unwilling to trade such Covered Bonds without changes to their IT systems, both of which could adversely impact the liquidity of such Covered Bonds. Further, in contrast to Covered Bonds linked to interbank offered rates, if the Covered Bonds referencing SONIA or SARON or related indices become due and payable under Condition 10 (*Events of Default and Enforcement*), or are otherwise redeemed early on a date which is not an Interest Payment Date, the rate of interest payable for the final Interest Period in respect of such Covered Bonds shall only be determined immediately prior to the date on which the Covered Bonds become due and payable or are scheduled for redemption.

1.7 The administrators of SONIA and SARON or related indices may make changes that could change the value of SONIA and SARON or any related index (as applicable) or discontinue SONIA, SARON or any related index

The administrators of SONIA and SARON (being the BoE and SIX Index AG respectively) may make methodological or other changes that could change the value of these risk-free rates and/or indices, including changes related to the method by which such risk-free rate is calculated, eligibility criteria applicable to the transactions used to calculate SONIA or SARON, or timing related to the publication of SONIA, SARON or any related indices. In addition, such administrators may alter, discontinue or suspend calculation or dissemination of SONIA, SARON or any related index (in which case a fallback method of determining the interest rate on the Covered Bonds will apply in accordance with the Conditions (see the risk factor "*Risks relating to Covered Bonds which are linked to benchmarks"*)). The relevant administrator has no obligation to consider the interests of Covered Bondholders when calculating, adjusting, converting, revising or discontinuing any such risk-free rate.

1.8 Market Disruption

In accordance with Condition 5(b)(ii) (*Rate of Interest*), the Rate of Interest in respect of Floating Rate Covered Bonds is determined by reference to market information sources. Such market information sources might become unavailable for various reasons, including suspensions or limitations on trading, events which affect or impair the ability of market participants in general, or early closure of market institutions. These could be caused by, amongst other things, physical threats to the publishers of the market information sources, market institutions or market participants in general, or unusual trading, or matters such as currency changes.

In respect of a Floating Rate Covered Bond where the Rate of Interest is to be determined by reference to EURIBOR, if EURIBOR does not appear on the relevant screen page or if the Relevant Screen Page is not available for any reason, the Principal Paying Agent will request each of the Reference Banks, appointed by the Issuer, to provide the Principal Paying Agent with its offered quotation to leading banks or, as applicable, its rate for deposits in the relevant Specified Currency for the relevant rate for the purposes of determining the applicable Rate of Interest. However, there can be no assurance that the Issuer will be able to appoint one or more Reference Banks to provide offered quotations and no Reference Banks have been appointed at the date of this Prospectus. Condition 5(b)(ii) (*Rate of Interest*) sets out fallback provisions if fewer than the requisite number of Reference Banks are appointed.

In respect of a Floating Rate Covered Bond where the Rate of Interest is to be determined by reference to SONIA, if SONIA does not appear on the relevant screen page or if the relevant screen page is not available for any reason, the Principal Paying Agent shall calculate SONIA by reference to existing guidance published by the BoE for calculating SONIA in such circumstances or, if no such guidance exists, to the BoE's Bank Rate and the mean of the spread of SONIA to the Bank Rate over the previous

five days on which SONIA has been published. Condition 5(b)(ii) (*Rate of Interest*) sets out fallback provisions if the rate of interest cannot be determined in accordance with the foregoing sentence.

In respect of a Floating Rate Covered Bond where the Rate of Interest is to be determined by reference to SARON, if SARON does not appear on the SARON Administrator Website or is not so published by the Relevant Time on such Zurich Banking Day and a SARON Benchmark Transition Event and a SARON Benchmark Replacement Date have not both occurred at or prior to the Relevant Time on such Zurich Banking Day, SARON shall be the Swiss Average Rate Overnight published by the SARON Administrator on the SARON Administrator Website on the last preceding Zurich Banking Day on which the Swiss Average Rate Overnight was published by the SARON Administrator on the SARON Administrator Website. Condition 5(b)(ii) (*Rate of Interest*) sets out fallback provisions if the rate of interest cannot be determined in accordance with the foregoing sentence (Condition 15(b)(iv) meanwhile sets out a modification regime where a SARON Benchmark Transition Event and a SARON Benchmark Replacement Date have occurred).

In each case, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Period may result in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Covered Bonds based on the rate which applied in the previous period when SONIA, EURIBOR or SARON (as applicable) was available which could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Covered Bonds which reference EURIBOR, SONIA or SARON.

1.9 Fixed/Floating Rate Covered Bonds

Fixed/Floating Rate Covered Bonds may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Covered Bonds since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Covered Bonds may be less favourable than the prevailing spreads on comparable Floating Rate Covered Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Covered Bonds. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the then prevailing rates on its other Covered Bonds.

1.10 The value of Fixed Rate Covered Bonds may be adversely affected by movements in market interest rates

Investment in Fixed Rate Covered Bonds involves the risk that if market interest rates subsequently increase, this may adversely affect the value of the Fixed Rate Covered Bonds.

1.11 Covered Bonds where denominations involve integral multiples

In relation to any issue of Covered Bonds which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Covered Bonds may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case, a Covered Bondholder who (as a result of trading such amounts) holds an amount which is less than the minimum Specified Denomination in their account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Covered Bonds at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a Covered Bondholder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in their account with the relevant clearing system at the relevant time may not receive a definitive Covered Bond in respect of such holding (should definitive Covered Bonds be printed) and would need to purchase a principal amount of Covered Bonds at or in excess of the minimum Specified Denomination such that this holding amounts to a Specified Denomination.

If definitive Covered Bonds are issued, Covered Bondholders should be aware that definitive Covered Bonds that have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

1.12 A downgrade of the credit rating assigned by any credit rating agency to the Issuer or, if applicable, to the Covered Bonds could adversely affect the liquidity, market value or index eligibility of the Covered Bonds. Credit ratings downgrades could occur as a result of, among other causes, changes in the ratings methodologies used by credit rating agencies

Tranches of Covered Bonds issued under the Programme may be rated by credit rating agencies and may in the future be rated by additional credit rating agencies (be they solicited or unsolicited), although the Issuer is under no obligation to ensure that any Covered Bonds issued by them under the Programme are rated by any credit rating agency. Credit ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in these Risk Factors and other factors that may affect the liquidity or market value of the Covered Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be assigned, revised, suspended or withdrawn by the credit rating agency at any time.

Any rating assigned to the Issuer and/or, if applicable, the Covered Bonds may be withdrawn entirely by a credit rating agency, may be suspended or may be lowered, if, in that credit rating agency's judgment, circumstances relating to the basis of the rating so warrant. Ratings may be impacted by a number of factors which can change over time, including the credit rating agency's assessment of: the Issuer's strategy and management's capability; the Issuer's financial condition including in respect of capital, funding and liquidity; competitive and economic conditions in the Issuer's key markets; the level of political support for the industries in which the Issuer operates; and legal and regulatory frameworks affecting the Issuer's legal structure, business activities and the rights of its creditors. The credit rating agencies may also revise the ratings methodologies applicable to an issuer within a particular industry or political or economic region. If credit rating agencies perceive there to be adverse changes in the factors affecting an issuer's credit rating, including by virtue of change to applicable ratings methodologies, the credit rating agencies may downgrade, suspend or withdraw the ratings assigned to an issuer and/or its securities. Revisions to ratings methodologies and actions on the Issuer's ratings by the credit rating agencies may occur in the future.

If the Issuer determines to no longer maintain one or more ratings, or if any credit rating agency withdraws, suspends or downgrades the credit ratings of the Issuer or the Covered Bonds, or if such a withdrawal, suspension or downgrade is anticipated (or any credit rating agency places the credit ratings of the Issuer or, if applicable, the Covered Bonds on "credit watch" status in contemplation of a downgrade, suspension or withdrawal), whether as a result of the factors described above or otherwise, such event could adversely affect the liquidity or market value or index eligibility of the Covered Bonds (whether or not the Covered Bonds had an assigned rating prior to such event). Moreover, any decision by a credit rating agency to assign a new rating to the Issuer and/or, if applicable, the Covered Bonds (be it solicited or unsolicited), may adversely affect the liquidity, market value or index eligibility of the Covered Bonds (whether or not the Covered Bonds had an assigned rating prior to such event).

Furthermore, as a result of the EU CRA Regulation, if the status of a rating agency rating the Covered Bonds changes or the rating is not endorsed by a credit rating agency registered under the EU CRA Regulation, European regulated investors may no longer be able to use the rating for regulatory purposes. Similarly, and as a result of the UK CRA Regulation, if the status of a rating agency rating the Covered Bonds changes or the rating is not endorsed by a credit rating agency registered under the UK CRA Regulation, UK regulated investors may no longer be able to use a rating for regulatory purposes. In both cases, any such change could cause the Covered Bonds to be subject to different regulatory treatment. This may result in such European regulated investors or UK regulated investors, as applicable, selling the Covered Bonds, which may impact the value of the Covered Bonds and any secondary market.

1.13 Extendable obligations under the Covered Bond Guarantee

Following the failure by the Issuer to pay the Final Redemption Amount of a Series of Covered Bonds on its Final Maturity Date (subject to applicable grace periods) and if, following the service of a Notice to Pay on the LLP (by no later than the date which falls one Business Day prior to the Extension Determination Date), payment of the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of such Series of the Covered Bonds are not paid in full, then the payment of such Guaranteed Amounts may be automatically deferred. The Issuer is not required to notify Covered Bondholders of such deferral. This will occur (subject to no LLP Event of Default having occurred) if the Final Terms for a relevant Series of Covered Bonds (the "**relevant Series of Covered Bonds**") provides that such Covered Bonds are subject to an Extended Due for Payment Date.

To the extent that the LLP has received a Notice to Pay in sufficient time and has sufficient monies available to pay in part the Guaranteed Amounts corresponding to the relevant Final Redemption Amount in respect of the relevant Series of Covered Bonds, the LLP shall make such payment on the Extension Determination Date. If the LLP has not received a Notice to Pay in sufficient time and/or does not have sufficient monies available to pay the Guaranteed Amounts corresponding to the relevant Final Redemption Amount in respect of the relevant Series of Covered Bonds, the LLP shall make such partial payment in accordance with the Guarantee Priority of Payments and as described in Condition 7(a) (*Final redemption*) on any Interest Payment Date up to and including the relevant Extended Due for Payment Date. Payment of the unpaid amount shall be deferred automatically until the applicable Extended Due for Payment Date (where the relevant Series of Covered Bonds are subject to an Extended Due for Payment Date). The Extended Due for Payment Date will be specified in the relevant Final Terms, and interest will continue to accrue and be payable on the unpaid amount in accordance with Condition 5 (*Interest*) and the LLP will pay Guaranteed Amounts constituting Scheduled Interest on each Original Due for Payment Date and the Extended Due for Payment Date. In these circumstances, except where the LLP has failed to apply money in accordance with the Guarantee Priority of Payments, failure by the LLP to make payment in respect of the Final Redemption Amount on the Final Maturity Date (or such later date within any applicable grace period) shall not constitute an LLP Event of Default. However, failure by the LLP to pay Guaranteed Amounts corresponding to the Final Redemption Amount or the balance thereof, as the case may be, on the Extended Due for Payment Date and/or pay Guaranteed Amounts constituting Scheduled Interest on any Original Due for Payment Date or the Extended Due for Payment Date will (subject to any applicable grace period) be an LLP Event of Default.

1.14 Covered Bonds subject to Optional Redemption by the Issuer

If an Issuer Call is specified in the applicable Final Terms, the Issuer may elect to redeem all or some of the Covered Bonds at the Optional Redemption Amount (specified in the applicable Final Terms) plus accrued interest due under the Covered Bonds. An optional redemption feature of Covered Bonds is likely to limit the market value of such Covered Bonds. During any period when the Issuer may elect to redeem Covered Bonds, the market value of those Covered Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

Where an Issuer Call is specified in the applicable Final Terms, the Issuer may be expected to redeem Covered Bonds when its cost of borrowing is lower than the interest rate on the Covered Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Covered Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

1.15 Ratings confirmation in relation to the Covered Bonds in respect of certain actions

The terms of certain of the Conditions and certain of the Transaction Documents require, in respect of a proposed action or step under or in connection with the Conditions or Transaction Document, that:

(i) the Issuer obtains from each Rating Agency written confirmation that such action or step would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the relevant Covered Bonds of any Series by such Rating Agency or (y) such Rating Agency placing the Covered Bonds of any Series on rating watch negative (or equivalent) and delivers a copy of each such confirmation to the Bond Trustee and the Security Trustee; or

(ii) the Issuer provides a certificate signed by a director of the Issuer certifying to the Bond Trustee and the Security Trustee that it has notified each Rating Agency of the proposed action or step and, in its opinion, formed on the basis of due consideration and consultation with such Rating Agency (including, as applicable, upon receipt of oral confirmation from an appropriately authorised person at such Rating Agency), such action or step would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the Covered Bonds of any Series by such Rating Agency or (y) such Rating Agency placing the Covered Bonds of any Series on rating watch negative (or equivalent),

(i) and (ii) above, each a "**Ratings Confirmation**".

A Ratings Confirmation that any action proposed to be taken by the Issuer or the Bond Trustee will not have an adverse effect on the then current rating of the Covered Bonds does not, for example, confirm that such action (i) is permitted by the terms of the Transaction Documents or (ii) is in the best interests of, or not prejudicial to, the Covered Bondholders. While each of the Secured Creditors (including the Covered Bondholders), the Issuer, the LLP or the Bond Trustee (as applicable) are entitled to have regard to the fact that each Rating Agency has confirmed that the then current rating of the relevant class of Covered Bonds would not be adversely affected, a Ratings Confirmation does not impose or extend any actual or contingent liability on the each Rating Agency to the Secured Creditors (including the Covered Bondholders), the Issuer, the LLP, the Bond Trustee or any other person or create any legal relationship between each Rating Agency and the Secured Creditors (including the Covered Bondholders), the Issuer, the LLP, the Bond Trustee or any other person whether by way of contract or otherwise.

Any such Ratings Confirmation may or may not be given at the sole discretion of each Rating Agency and certain Rating Agencies (including Fitch) have indicated that they will no longer provide a Ratings Confirmation as a matter of policy. It should be noted that, depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that a Rating Agency cannot provide a Ratings Confirmation in the time available or at all, and the Rating Agency should not be responsible for the consequences thereof. A Ratings Confirmation, if given by a Rating Agency, will be given on the basis of the facts and circumstances prevailing at the relevant time and in the context of cumulative changes to the transaction of which the securities form part since the most recent date on which ratings were assigned to the Covered Bonds issued under the Programme. A Ratings Confirmation represents only a restatement of the opinions given as at the date of the most recent rating of the Covered Bonds and cannot be construed as advice for the benefit of any parties to the transaction. Investors should be aware of the risk of the relevant Rating Agency not being able to provide a Ratings Confirmation in the time required or at all, which may have an adverse effect on the Covered Bonds.

1.16 Issuer liable to make payments when due on the Covered Bonds

The Issuer is liable to make payments when due on the Covered Bonds. The obligations of the Issuer under the Covered Bonds are direct, unconditional, unsecured, and unsubordinated obligations, at all times ranking *pari passu* amongst themselves and *pari passu* with all present and future unsecured and unsubordinated obligations of the Issuer, (save for such obligations as may be preferred by provisions of law).

The LLP has no obligation to pay the Guaranteed Amounts payable under the Covered Bond Guarantee until the occurrence of an Issuer Event of Default, service by the Bond Trustee on the Issuer of an Issuer Acceleration Notice and on the LLP of a Notice to Pay or, if earlier, following the occurrence of an LLP Event of Default, service by the Bond Trustee of an LLP Acceleration Notice. The occurrence of an Issuer Event of Default does not constitute an LLP Event of Default. However, failure by the LLP to pay amounts when Due for Payment under the Covered Bond Guarantee would constitute an LLP Event of Default which would entitle the Bond Trustee to accelerate the obligations of the Issuer under the Covered Bonds (if they have not already become due and payable) and the obligations of the LLP under the Covered Bond Guarantee and the Security Trustee to enforce the Security.

1.17 LLP only obliged to pay Guaranteed Amounts when the same are Due for Payment

Following service of an Issuer Acceleration Notice on the Issuer, a Notice to Pay will be served by the Bond Trustee on the LLP. Subsequent to a failure by the Issuer to make a payment in respect of one or more Series of Covered Bonds, the Bond Trustee may, but is not obliged to, serve an Issuer Acceleration Notice unless and until requested or directed by the holders of at least 25 per cent. of the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds then outstanding as if they were a single Series or if so directed by an Extraordinary Resolution of all the Covered Bondholders in accordance with Condition 10(a) (*Issuer Events of Default*). Following service of a Notice to Pay on the LLP, under the terms of the Covered Bond Guarantee the LLP will be obliged to pay Guaranteed Amounts as and when the same are Due for Payment. In these circumstances, the LLP will not be obliged to pay any other amounts which become payable for any other reason.

Payments by the LLP will be made subject to any applicable withholding or deduction and the LLP will not be obliged to pay any additional amounts as a consequence. The attention of potential Covered Bondholders is drawn to the paragraph headed "*Payments by the LLP* " in the United Kingdom taxation

section below. Prior to service on the LLP of an LLP Acceleration Notice, the LLP will not be obliged to make any payments in respect of broken funding indemnities, penalties, premiums, default interest or interest on interest which may accrue on or in respect of the Covered Bonds. In addition, the LLP will not be obliged at any time to make any payments in respect of additional amounts which may become payable by the Issuer under Condition 8 (*Taxation*).

Subject to any grace period, if the LLP fails to make a payment when Due for Payment under the Covered Bond Guarantee or any other LLP Event of Default occurs, then the Bond Trustee may accelerate the obligations of the LLP under the Covered Bond Guarantee by service of an LLP Acceleration Notice on the LLP, whereupon the Bond Trustee will have a claim under the Covered Bond Guarantee for an amount equal to the Early Redemption Amount of each Covered Bond, together with accrued interest and all other amounts then due under the Covered Bonds (other than additional amounts payable under Condition 8), although in such circumstances the LLP will not be obliged to gross up in respect of any withholding which may be required in respect of any payment. Following service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP, the Security Trustee may enforce the Security over the Charged Property. The proceeds of enforcement and realisation of the Security shall be applied by the Security Trustee in accordance with the Post-Enforcement Priority of Payments in the Deed of Charge, and the Covered Bondholders will receive amounts from the LLP on an accelerated basis.

1.18 Covered Bonds issued under the Programme

Covered Bonds issued under the Programme will either be fungible with an existing Series of Covered Bonds or have different terms from an existing Series of Covered Bonds (in which case they will constitute a new Series).

All Covered Bonds issued from time to time under the Programme will, following service of an LLP Acceleration Notice and enforcement of the security, rank *pari passu* with each other in all respects and will share in the security granted by the LLP under the Deed of Charge. As a result, holders of Covered Bonds issued pursuant to this Prospectus should be aware that they will rank *pari passu* and share in the security granted by the LLP over, *inter alia*, the Mortgage Portfolio, with holders of Covered Bonds which may be issued by the Issuer in a manner other than pursuant to this Prospectus.

If an Issuer Event of Default occurs in respect of a particular Series of Covered Bonds, the Covered Bonds of all Series outstanding will accelerate at the same time against the Issuer (following service of an Issuer Acceleration Notice) but will be subject to, and have the benefit of, payments made by the LLP under the Covered Bond Guarantee (following service of a Notice to Pay). If an LLP Event of Default occurs, following service of an LLP Acceleration Notice, the Covered Bonds of all Series outstanding will accelerate against the Issuer (if not already accelerated following an Issuer Event of Default) and the obligations of the LLP under the Covered Bond Guarantee will accelerate.

In order to ensure that any further issue of Covered Bonds under the Programme does not adversely affect the existing Covered Bondholders:

1. the Issuer will be obliged to apply the proceeds of any issue of Covered Bonds to make a Term Advance to the LLP. The LLP will use the proceeds of such Term Advance (after swapping the same into Sterling if necessary):

   (i) to purchase Mortgage Loans and their Related Security from the Seller in accordance with the terms of the Mortgage Sale Agreement; and/or

   (ii) to invest in Substitution Assets in an amount not exceeding the prescribed limit,

   to the extent required to meet the requirements of Regulations 23 and 24(1)(a) of the RCB Regulations and the Asset Coverage Test (as described below), and thereafter may be applied by the LLP:

   (a) to purchase Mortgage Loans and their Related Security, from the Seller in accordance with the terms of the Mortgage Sale Agreement; and/or

   (b) to invest in Substitution Assets in an amount not exceeding the prescribed limit; and/or

(c) subject to complying with the Asset Coverage Test, to make a Capital Distribution to the Seller (in its capacity as Member) by way of distribution of that Member's equity in the LLP in an amount equal to the Sterling Equivalent of the Term Advance or any part thereof, which shall be paid to the Member on the relevant Issue Date by telegraphic transfer or as otherwise directed by the Member; and/or

(d) if an existing Series or Tranche, or part of an existing Series or Tranche, of Covered Bonds is being refinanced (by the issue of a further Series or Tranche of Covered Bonds), to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced; and/or

(e) to make a deposit of all or part of the proceeds in the Transaction Account (including, without limitation, to fund the Reserve Fund to an amount not exceeding the prescribed limit) or the Issuer Account (in an amount not exceeding the Issuer Permitted Cash Amount).

2. the Asset Coverage Test will be required to be met both before and immediately after any further issue of Covered Bonds; and

3. on or prior to the date of issue of any further Covered Bonds, the Issuer will be obliged to obtain written confirmation from each of the Rating Agencies (addressed to the Issuer, the Bond Trustee and the Security Trustee) that such further issue would not adversely affect the then current ratings of the existing Covered Bonds.

1.19 Investors to rely on the procedures of Euroclear, Clearstream, Luxembourg and/or DTC for transfer, payment and communication with the Issuer

Covered Bonds issued under the Programme may be represented by one or more Global Covered Bonds which may be deposited with a common depositary for Euroclear and Clearstream Luxembourg or with DTC (each of Euroclear, Clearstream, Luxembourg and DTC, a "**Clearing System**"). Except in the circumstances described in the relevant Global Covered Bonds, investors will not be entitled to receive definitive Covered Bonds. The relevant Clearing System will maintain records of the beneficial interests in the Global Covered Bonds. While the Covered Bonds are represented by one or more Global Covered Bonds, investors will be able to trade their beneficial interests only through the relevant Clearing System or DTC.

While the Covered Bonds are represented by one or more Global Covered Bonds, the Issuer will discharge its payment obligations under the Covered Bonds by making payments to the common depositary or, as appropriate, the custodian for DTC, for distribution to their account holders. A holder of a beneficial interest in a Global Covered Bonds must rely on the procedures of the relevant Clearing System or DTC (as applicable), to receive payments under the relevant Covered Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Covered Bonds.

Holders of beneficial interests in the Global Covered Bonds will not have a direct right to vote in respect of the relevant Covered Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System or by DTC to appoint appropriate proxies.

The fact that the Covered Bonds will not be in physical form may make it difficult for Covered Bondholders to pledge the Covered Bonds as security if Covered Bonds in physical form are required or necessary for such purposes.

1.20 Certain decisions of the Covered Bondholders taken at Programme level

Any Extraordinary Resolution to direct the Bond Trustee to serve an Issuer Acceleration Notice following an Issuer Event of Default, to direct the Bond Trustee to serve an LLP Acceleration Notice following an LLP Event of Default and any direction to the Bond Trustee or Security Trustee to take any enforcement action must be passed at a single meeting of all the Covered Bondholders of all Series then outstanding.

1.21 Obligations under the Covered Bonds

The Covered Bonds will not represent an obligation or be the responsibility of any of the Arrangers, the Dealers, the Bond Trustee, the Security Trustee or any other party to the Programme, their officers, members, directors, employees, security holders or incorporators, other than the Issuer and the LLP. The Issuer and the LLP will be liable solely in their corporate capacity for their obligations in respect of the Covered Bonds and such obligations will not be the obligations of their respective officers, members, directors, employees, security holders, incorporators or any holding company.

C. MARKET RISKS

1.1 There may not be any active trading market for the Covered Bonds

The Covered Bonds issued under the Programme will be a new issue of Covered Bonds which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Covered Bonds which is already issued). If the Covered Bonds are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition, or perception, of the Issuer. Although application has been made for Covered Bonds issued under the Programme to be admitted to trading on the Main Market of the London Stock Exchange, if so specified in the relevant Final Terms, there can be no assurance that such application will be accepted, that the Covered Bonds will be so admitted, or that an active trading market will develop. Even if an active trading market does develop, it may not be liquid and may not continue for the term of the Covered Bonds. In addition, liquidity may be limited if large allocations of a particular Tranche of Covered Bonds are made to a limited number of investors.

Whilst central bank schemes such as the BoE's Discount Window Facility, Extended Term Collateral Repo Facility, Funding for Lending Scheme ("**FLS**"), the UK Government's Term Funding Scheme ("**TFS**"), the TFSME scheme and the European Central Bank liquidity scheme provide an important source of liquidity in respect of eligible securities (such as UK regulated covered bonds), the eligibility criteria have become and may continue to become more restrictive. In addition, at the date of this Prospectus the FLS, TFS and the TFSME scheme are no longer open for further drawdowns. These changes may have an adverse impact on secondary market liquidity for UK regulated covered bonds in general, regardless of whether the Covered Bonds are eligible securities for the purpose of such facilities. No assurance is given that the Covered Bonds will be eligible for any specific central bank liquidity schemes. Investors should make their own conclusions and seek their own advice with respect to whether or not the Covered Bonds constitute eligible collateral for the purposes of any of the central bank liquidity schemes, including whether and how such eligibility may be impacted by the UK withdrawal from the EU and the UK no longer being part of the EEA. No assurance is given that any Covered Bonds will be eligible for any specific central bank liquidity schemes. If the Covered Bonds cannot meet the relevant central bank eligibility criteria, it may impact on the liquidity of the Covered Bonds and could have an adverse effect on their value.

1.2 The trading market for debt securities may be volatile and may be adversely impacted by many events

The market for debt securities issued by the Issuer is influenced by economic, political and market conditions and, to varying degrees, market conditions, interest rates, currency exchange rates and inflation rates. If the secondary market for the Covered Bonds is limited, there may be few buyers, and this may reduce the relevant market price of the Covered Bonds. There can be no assurance that events in the United Kingdom or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of Covered Bonds or that economic and market conditions will not have any other adverse effect on the Covered Bonds.

1.3 Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Covered Bonds and the LLP will make any payments under the Covered Bond Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit other than the Specified Currency (the "**Investor's Currency**"). These include the risk that

exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Covered Bonds, (ii) the Investor's Currency-equivalent value of the principal payable on the Covered Bonds and (iii) the Investor's Currency-equivalent market value of the Covered Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Covered Bonds. As a result, investors may receive less interest or principal than expected, or no interest or principal.

D. RISKS RELATING TO THE COVER POOL

1.1 Limited description of the Mortgage Portfolio

The Covered Bondholders will have access to detailed loan level data in relation to the Mortgage Loans in the Mortgage Portfolio via the Issuer's website. However, because it is expected that the constitution of the Mortgage Portfolio will frequently change due to, for instance:

- the Seller selling Mortgage Loans and their Related Security (or New Mortgage Loan Types (which may include Offset Mortgage Loans) and their Related Security) to the LLP;
- the Seller repurchasing Mortgage Loans and their Related Security in accordance with the Mortgage Sale Agreement; and
- potentially, New Sellers acceding to certain of the Transaction Documents and selling Mortgage Loans and their Related Security (or New Mortgage Loan Types and their Related Security) to the LLP.

There is no assurance that the characteristics of the New Mortgage Loans assigned to the LLP on a Transfer Date will be the same as those of the Mortgage Loans in the Mortgage Portfolio as at that Transfer Date. However, each Mortgage Loan will be required to meet the Eligibility Criteria and the Loan Warranties set out in the Mortgage Sale Agreement – see "*Summary of the Principal Documents – Mortgage Sale Agreement – Sale by the Seller of Mortgage Loans and Related Security*" (although the Eligibility Criteria and Loan Warranties may change in certain circumstances – see "*The Bond Trustee and the Security Trustee may agree to modifications to the Transaction Documents without, respectively, the Covered Bondholders' or Secured Creditors' prior consent*" above). In addition, the Asset Coverage Test is intended to ensure that the Adjusted Aggregate Loan Amount is an amount equal to or in excess of the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding and the Cash Manager will provide monthly reports that will set out certain information in relation to the Asset Coverage Test.

1.2 Sale of Selected Mortgage Loans and their Related Security following the occurrence of an Issuer Event of Default

If a Notice to Pay is served on the LLP, then the LLP will be obliged to sell Selected Mortgage Loans and their Related Security (selected on a random basis) in order to make payments to the LLP's creditors including payments under the Covered Bond Guarantee (see "*Summary of the Principal Documents – LLP Deed – Sale of Selected Mortgage Loans and their Related Security following service of a Notice to Pay*").

There is no guarantee that a buyer will be found to acquire Selected Mortgage Loans and their Related Security at the times required and there can be no guarantee or assurance as to the price which may be able to be obtained, which may affect payments under the Covered Bond Guarantee. However, the Selected Mortgage Loans may not be sold by the LLP for less than an amount equal to the Adjusted Required Redemption Amount for the relevant Series of Covered Bonds until six months prior to: (a) the Final Maturity Date in respect of such Covered Bonds; or (b) (if the same is specified as applicable in the relevant Final Terms) the Extended Due for Payment Date under the Covered Bond Guarantee in respect of such Covered Bonds. In the six months prior to, as applicable, the Final Maturity Date or Extended Due for Payment Date, the LLP is obliged to sell the Selected Mortgage Loans for the best

price reasonably available notwithstanding that such price may be less than the Adjusted Required Redemption Amount.

1.3 Set-off risk may adversely affect the value of the Mortgage Portfolio or any part thereof

As described in "*Equitable Interest and Declaration of Trust*", the Seller will make an equitable assignment (in respect of English Mortgage Loans) and declare Scottish Declarations of Trust (in respect of Scottish Mortgage Loans) of the relevant Mortgage Loans and Mortgages to the LLP, with legal title being retained by the Seller. Therefore, the rights of the LLP may be subject to the direct rights of the Borrowers against the Seller, including rights of set-off which occur in relation to the transactions or deposits made between the Borrower and the Seller existing prior to notification to the Borrowers of the assignment in respect of the Mortgage Loans and the Mortgages. Such set-off rights (including analogous rights in Scotland) may arise if the Seller fails to advance a Cash Borrow-back to a Borrower under a Mortgage Loan when the Borrower is entitled to such Cash Borrow-back. A Borrower's request for a Cash Borrow-back is subject to the Seller's agreement in each case. The Seller will agree to a Cash Borrow-back where the Borrower is able to demonstrate that he will continue to be able to afford the revised monthly payment following the advance of the Cash Borrow-back. Please see "*Borrow-backs*" below.

If the Seller fails to advance the Cash Borrow-back in accordance with the relevant Mortgage Loan, then the relevant Borrower may argue that it is entitled to set-off any damages claim (or any analogous rights in Scotland) arising from the Seller's breach of contract against the Seller's (and, as equitable assignee of or holder of the beneficial interest in the Mortgage Loans and the Mortgages, the LLP's) claim for payment of principal and/or interest under the Mortgage Loan when it becomes due.

The amount of the claim in respect of a Cash Borrow-back will, in many cases, be the cost to the Borrower of finding an alternative source of funds (although in relation to Scottish Mortgage Loans it is possible that the right of set-off could extend to the full amount due to the Borrower). The Borrower may obtain a mortgage loan elsewhere in which case the damages would be equal to any difference in the borrowing costs together with any consequential losses, namely the associated costs of obtaining alternative funds (for example, legal fees and survey fees). If the Borrower is unable to obtain an alternative mortgage loan, he or she may have a claim in respect of other losses arising from the Seller's breach of contract where there are special circumstances communicated by the Borrower to the Seller at the time the Borrower entered into the Mortgage Loan or which otherwise were reasonably foreseeable.

Should a Borrower hold a deposit account with the Issuer, the Borrower, in the event of the insolvency of the Issuer, may be able to set-off any amounts held in the relevant deposit account against amounts owed by the Borrower pursuant to the Mortgage Loan. The giving of notice to the Borrower would crystallise the Borrower's entitlement to set-off amounts as of the date of receipt of the relevant notice.

A Borrower may also attempt to set-off against his or her mortgage payments an amount greater than the amount of his or her damages claim (or any analogous rights in Scotland). In that case, the Administrator will be entitled to take enforcement proceedings against the Borrower although the period of non-payment by the Borrower is likely to continue until a judgment or decree is obtained.

Certain of the standard forms of mortgage conditions used in connection with the Mortgage Portfolio do not exclude a right for the Borrower to set-off certain sums owed to it or liabilities of the lender against sums or liabilities owed by the Borrower to the lender.

The exercise of set-off rights by Borrowers would reduce the incoming cash flow to the LLP during such exercise. The Asset Coverage Test takes into account certain set-off risks related to Cash Borrow-backs exercised by Borrowers whose Mortgage Loans are in the Mortgage Portfolio.

1.4 Limited recourse to the Seller

The LLP, the Bond Trustee and the Security Trustee will not undertake any investigations, searches or other actions on any Mortgage Loan or its Related Security comprising the Mortgage Portfolio or to establish the creditworthiness of any Borrower and will rely instead on the Loan Warranties given in the Mortgage Sale Agreement by the Seller.

In the event of there being a breach of any of the Loan Warranties which could (having regard to, without limitation, whether a loss is likely to be incurred in respect of the Mortgage Loan and/or its Related

Security to which the breach relates after taking account of the likelihood of recoverability or otherwise of any sums under any applicable insurance policies) have a material adverse effect on the Mortgage Loan and its Related Security, then the Seller will be required to notify the LLP and the Security Trustee as soon as reasonably practical after becoming aware of the fact.

If the Seller fails to remedy the breach of a Loan Warranty within 60 days of the Seller or the Administrator becoming aware of such breach, then the Seller will be required to repurchase on or before the next following LLP Payment Date (or such other date that may be agreed between the LLP and the Seller) the relevant Mortgage Loan and its Related Security and any other Mortgage Loans of the relevant Borrower that are included in the Mortgage Portfolio, at the Repurchase Price.

There can be no assurance that the Seller, in the future, will have the financial resources to repurchase a Mortgage Loan or Mortgage Loans and its or their Related Security. However, if the Seller does not repurchase those Mortgage Loans and their Related Security which are in breach of the Loan Warranties then the Current Balance of those Mortgage Loans will be excluded from the calculation of the Asset Coverage Test. There is no further recourse to the Seller or the Issuer in respect of a breach of a Loan Warranty.

1.5 Maintenance of Mortgage Portfolio

Asset Coverage Test: Pursuant to the terms of the Mortgage Sale Agreement, the Seller will agree to use all reasonable endeavours to transfer Mortgage Loans and their Related Security to the LLP in order to ensure that the Mortgage Portfolio is in compliance with the Asset Coverage Test. The consideration payable to the Seller for the sale of the Mortgage Loans and Related Security to the LLP will be a combination of: (i) a cash payment paid by the LLP; and/or (ii) the Seller being treated as having made a Capital Contribution to the LLP (in an amount up to the difference between the Current Balance of the Mortgage Loans sold by the Seller to the LLP as at the relevant Transfer Date and the cash payment (if any) paid by the LLP for such Mortgage Loans); and (iii) Deferred Consideration.

Alternatively, the Issuer (in its capacity as a Member of the LLP) may make a Cash Capital Contribution to the LLP pursuant to the LLP Deed in order to ensure that the LLP is in compliance with the Asset Coverage Test. If a breach of the Asset Coverage Test occurs which is not cured on the next Calculation Date, an Asset Coverage Test Breach Notice will be served on the LLP, which will result in the consequences set out in "*Summary of the Principal Documents – LLP Deed – Asset Coverage Test*". There is no specific recourse by the LLP to the Seller in respect of the failure to sell Mortgage Loans and their Related Security to the LLP nor is there any specific recourse to the Issuer (in its capacity as a Member of the LLP) if it does not make Cash Capital Contributions to the LLP. In addition, Covered Bondholders should be aware that the FCA may take certain action under the RCB Regulations in relation to the Seller, including prohibiting the Seller from transferring further Mortgage Loans to the LLP. Any such action may have an adverse effect on the ability of the Issuer and the LLP to meet its obligations under the Covered Bonds and the Covered Bond Guarantee, as applicable.

Amortisation Test: Pursuant to the LLP Deed, the LLP and the Issuer (in its capacity as a Member of the LLP) must ensure that on each Calculation Date following service of a Notice to Pay on the LLP but prior to the service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, the Amortisation Test Aggregate Loan Amount is in an amount at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds. The Amortisation Test is intended to ensure that the assets of the LLP do not fall below a certain threshold to ensure that the assets of the LLP are sufficient to meet its obligations under the Covered Bond Guarantee and senior expenses that rank in priority to or *pari passu* with amounts due on the Covered Bonds.

If the collateral value of the Mortgage Portfolio has not been maintained in accordance with the terms of the Asset Coverage Test or the Amortisation Test, then that may affect the realisable value of the Mortgage Portfolio or any part thereof (both before and after the occurrence of an LLP Event of Default) and/or the ability of the LLP to make payments under the Covered Bond Guarantee. However, failure to satisfy the Amortisation Test on any Calculation Date following an Issuer Event of Default will constitute an LLP Event of Default, thereby entitling the Bond Trustee to accelerate the Issuer's obligations under the Covered Bonds against the Issuer (to the extent such obligations had not already been accelerated against the Issuer) and the LLP's obligations under the Covered Bond Guarantee against the LLP subject to and in accordance with the Conditions.

Prior to the occurrence of an Issuer Event of Default, the Asset Monitor will, subject to receipt of the relevant information from the Cash Manager, test the calculations performed by the Cash Manager in respect of the Asset Coverage Test once each year on the Calculation Date immediately prior to each anniversary of the Initial Programme Date and more frequently in certain circumstances. Following the occurrence of an Issuer Event of Default, the Asset Monitor will be required to test the calculations performed by the Cash Manager in respect of the Amortisation Test. See further "*Summary of the Principal Documents – Asset Monitor Agreement*".

The Security Trustee shall not be responsible for monitoring compliance with, nor the monitoring of, the Asset Coverage Test or the Amortisation Test or any other test, or supervising the performance by any other party of its obligations under any Transaction Document.

1.6 Factors that may affect the realisable value of the Mortgage Portfolio or any part thereof or the ability of the LLP to make payments under the Covered Bond Guarantee

Following the occurrence of an Issuer Event of Default, the service on the Issuer of an Issuer Acceleration Notice and the service on the LLP of a Notice to Pay, the realisable value of Selected Mortgage Loans and their Related Security comprised in the Mortgage Portfolio may be reduced (which may affect the ability of the LLP to make payments under the Covered Bond Guarantee) by:

1. representations or warranties not being given by the LLP or (unless otherwise agreed with the Seller) the Seller;
2. default by Borrowers of amounts due on their Mortgage Loans;
3. the Mortgage Loans of New Sellers being included in the Mortgage Portfolio;
4. the inclusion of New Mortgage Loan Types in the Mortgage Portfolio;
5. changes to the Lending Criteria of the Seller;
6. the LLP not having legal title to the Mortgage Loans in the Mortgage Portfolio;
7. risks in relation to some types of Mortgage Loans which may adversely affect the value of Mortgage Portfolio or any part thereof;
8. limited recourse to the Seller;
9. possible regulatory changes by the FCA, the PRA, the CMA and other regulatory authorities; and
10. regulations in the United Kingdom that could lead to some terms of the Mortgage Loans being unenforceable (see "*Information Relating to the Regulation of the mortgages in the UK*" below).

Certain of these factors are considered in more detail below. However, it should be noted that the Asset Coverage Test, the Amortisation Test and the Eligibility Criteria are intended to ensure that there will be an adequate amount of Mortgage Loans in the Mortgage Portfolio and monies standing to the credit of the LLP Accounts to enable the LLP to repay the Covered Bonds following an Issuer Event of Default, service of an Issuer Acceleration Notice on the Issuer and service of a Notice to Pay on the LLP and accordingly it is expected (but there is no assurance) that Selected Mortgage Loans and their Related Security could be realised for sufficient values to enable the LLP to meet its obligations under the Covered Bond Guarantee.

1.7 No representations or warranties to be given by the LLP or the Seller if Selected Mortgage Loans and their Related Security are to be sold

Following the service of an Asset Coverage Test Breach Notice (which has not been revoked) or the service of a Notice to Pay on the LLP (but in each case prior to the service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security), the LLP will be obliged to sell Selected Mortgage Loans and their Related Security to third party purchasers, subject to a right of pre-emption enjoyed by the Seller pursuant to the terms of the Mortgage Sale Agreement (see "*Summary of the Principal Documents – LLP Deed – Sale of Selected Mortgage*

Loans and their Related Security following service of an Asset Coverage Test Breach Notice"). In respect of any sale of Selected Mortgage Loans and their Related Security to third parties, however, the LLP will not be permitted to give warranties or indemnities in respect of those Selected Mortgage Loans and their Related Security. There is no assurance that the Seller would give any warranties or representations in respect of the Selected Mortgage Loans and their Related Security. Any Loan Warranties previously given by the Seller in respect of the Mortgage Loans in the Mortgage Portfolio may not have value for a third-party purchaser if the Seller is then insolvent. Accordingly, there is a risk that the realisable value of the Selected Mortgage Loans and their Related Security could be adversely affected by the lack of representations and warranties which in turn could adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee.

1.8 Default by Borrowers in paying amounts due on their Mortgage Loans

Borrowers may default on their obligations under the Mortgage Loans. Defaults may occur for a variety of reasons. The Mortgage Loans are affected by credit, liquidity, housing market, economic and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic conditions (due to local, national and/or global macroeconomic factors) or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and UK Government policies. Given the unpredictable effect such factors may have on the local, national or global economy, no assurance can be given as to the impact of any of the matters described in this paragraph and the paragraph below, and, in particular, no assurance can be given that such matters would not adversely affect the ability of the Issuer to satisfy its obligations under the Covered Bonds.

Other factors in Borrowers' personal or financial circumstances may affect the ability of Borrowers to repay Mortgage Loans. Unemployment, loss of earnings, illness (including any illness arising in connection with an epidemic or pandemic or the fear of such crises), relationship breakdown and other similar factors may lead to an increase in delinquencies by and individual insolvency of Borrowers and could ultimately have an adverse impact on the ability of Borrowers to repay the Mortgage Loans. In addition, the ability of a Borrower to sell a property given as security for a Mortgage Loan at a price sufficient to repay the amounts outstanding under that Mortgage Loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time. If the timing and payment of the Mortgage Loans is adversely affected by any of the risks described in this paragraph, then payments on the Covered Bonds could be reduced and/or delayed and could ultimately result in losses on the Covered Bonds. The BoE increased interest rates from historical lows to manage inflation back to target levels, although these have started to reduce again from July 2024. Any future rate rises may adversely affect Borrowers' ability to pay interest or repay principal on their Mortgage Loans.

If a Borrower fails to repay its Mortgage Loan and the related Mortgaged Property is repossessed, the likelihood of there being a net loss on disposal of the Mortgaged Property is increased by a higher loan-to-value ratio.

In order to enforce a power of sale in respect of a mortgaged property in England and Wales, the relevant mortgagee must first obtain possession of the relevant property. Possession is usually obtained by way of a court order. This can be a lengthy and costly process and will involve the mortgagee assuming certain risks. In addition, once possession has been obtained, a reasonable period must be allowed for marketing the property, to discharge obligations and to take reasonable care to obtain a proper price. For details of enforcing a power of sale in respect of a mortgage property in Scotland, please see the section headed "Factors that may affect the realisable value of the Mortgage Portfolio or any part thereof or the ability of the LLP to make payments under the Covered Bond Guarantee" below.

If obtaining possession of properties and arranging a sale in such circumstances is lengthy or costly, the Issuer's ability to make payments on the Covered Bonds may be reduced. The Issuer's ability to make such payments may be reduced further if the powers of a mortgagee in relation to obtaining possession of properties permitted by law are restricted in the future.

Investors should note that the Issuer is a signatory to the Mortgage Charter. The Mortgage Charter is a set of measures designed to support regulated residential mortgage customers who are impacted by higher mortgage interest rates. A set of standards to support residential mortgage borrowers have been agreed

as part of the charter, including that a borrower will not be forced to leave their home without consent for at least a year following their first missed payment, unless in exceptional circumstances. Further detail is included in the section headed "*Mortgage Loans are subject to certain legal and regulatory risks*" below.

There can be no assurance that the FCA, or other UK government or regulatory bodies, may not take further steps to support mortgage borrowers which may impact the performance of the Mortgage Loans, including further amending and extending the scope of the above guidance.

1.9 The Mortgage Loans of New Sellers may be included in the Mortgage Portfolio

New Sellers which are members of the Group, may in the future accede to the Programme and sell Mortgage Loans and their related security to the LLP. However, this would only be permitted if the conditions precedent relating to New Sellers acceding to certain of the Transaction Documents (more fully described under "*Summary of the Principal Documents – Mortgage Sale Agreement – New Sellers*", below) are met. Provided that those conditions are met, the consent of the Covered Bondholders to the accession of any New Seller to the Programme will not be obtained.

Any loans originated by a New Seller will have been originated in accordance with the lending criteria of the New Seller, which may differ from the Lending Criteria of Mortgage Loans originated by the Seller. If the lending criteria differ in a way that affects the creditworthiness of the loans in the Mortgage Portfolio, that may lead to increased defaults by Borrowers and may affect the realisable value of the Mortgage Portfolio or any part thereof or the ability of the LLP to make payments under the Covered Bond Guarantee. As noted above, however, Defaulted Mortgage Loans in the Mortgage Portfolio will be given a reduced weighting for the purposes of the calculation of the Asset Coverage Test and the Amortisation Test.

1.10 Equitable Interest and Scottish Declarations of Trust

The transfer of the English Mortgage Loans and their Related Security by the Seller to the LLP will take effect in equity only (until legal title is conveyed following the occurrence of a Relevant Event). The sale of Scottish Mortgage Loans and their Related Security will take effect as a contractual sale only on each relevant Transfer Date and the transfer of the Scottish Mortgage Loans and their Related Security from the Seller to the LLP will (until legal title is transferred following the occurrence of a Relevant Event) be given effect by a declaration of trust by the Seller in favour of the LLP on the First Transfer Date and thereafter on each relevant Transfer Date (each, a "**Scottish Declaration of Trust**") by which the beneficial interest in the relevant Scottish Mortgage Loans and their Related Security will be transferred to the LLP. In each case, this means that in respect of the Mortgage Loans, the LLP will not acquire legal title and, in the case of registered land in England and Wales, will not be registered as proprietor and legal owner of the Mortgage at HM Land Registry or, in the case of land in Scotland, will not be registered or recorded as heritable creditor at the Registers of Scotland.

Notice of assignment of the Mortgage Loans will not be given to Borrowers at the time of the assignment but may be given on the occurrence of any of the Relevant Events, which oblige the Seller to transfer legal title to the Mortgage Loans at which point the LLP will, pursuant to the Mortgage Sale Agreement, submit an application for the transfer of the Mortgages to be registered at HM Land Registry and Registers of Scotland. The Seller shall hold the legal title to the Mortgage Loans as bare trustee for the LLP (or, in respect of Scottish Mortgage Loans, pursuant to each Scottish Declaration of Trust) who shall be the sole beneficial owner.

The holding of the whole beneficial interest in the Mortgage Loans and not the legal estate has five main legal consequences in England and Wales, being the following:

(a) for so long as the LLP holds only the whole beneficial interest in the Mortgage Loans and their Related Security and not the legal estate, the interest of the LLP in the Mortgage Loans and their Related Security may (particularly in the case of a Mortgage Loan where there is no restriction on the title against registration of any interests) become subject to interests of third parties (whether legal or equitable) created after the creation of the equitable interest of the LLP and before the transfer to it of the legal estate is perfected. The LLP's equitable interest may also be defeated by a subsequent purchaser or transferee for value of the Mortgage Loans and their Related Security;

(b) although as between the Seller and the LLP, under the Administration Agreement, the Seller has agreed that it will not vary any of the terms of the Mortgage Loans or their Related Security, it may in its capacity as Administrator vary certain terms in certain circumstances as set out in the Administration Agreement. As between any Borrower and the LLP, if the Seller were to modify the terms of the Mortgage Loans and their Related Security the revised terms would apply and the LLP would only have recourse against the Seller for breach of contract or breach of trust;

(c) for so long as the LLP holds only an equitable interest, it must join the Seller as a party to any legal proceedings which it may want to take against any Borrower. In this regard, the Seller will undertake for the benefit of the Issuer and the LLP that it will lend its name to, and take such other steps as may reasonably be required by the Issuer, the LLP or the Security Trustee in relation to, any legal proceedings in respect of the Mortgage Loans or their Related Security;

(d) unless and until a Borrower has notice of the transfer to the LLP of the relevant Mortgage Loan, such Borrower is not bound to make payment to anyone other than the person to whom he or she made such payments before the transfer took place (being the Seller) and can obtain a valid discharge from such person. However, the Seller will hold all amounts received in relation to the Mortgage Loans on trust for the LLP; and

(e) unless and until a Borrower has notice of the sale, equitable rights of set off may accrue in favour of such Borrower against his or her obligation to make payments under the relevant Mortgage Loans to the Seller. These rights may result in the Issuer receiving less money than anticipated from the Mortgage Loans.

Once notice has been given to the Borrowers of the assignment of the Mortgage Loans and their Related Security to the LLP, independent set-off rights which a Borrower has against the Seller (such as, for example, set-off rights associated with Borrowers holding deposits with the Seller) will crystallise and further rights of independent set-off would cease to accrue from that date and no new rights of independent set-off could be asserted following that notice. Set-off rights arising under "transaction set-off" (which are set-off claims arising out of a transaction connected with the Mortgage Loan) will not be affected by that notice and will continue to exist. In respect of Scottish Mortgage Loans, references in this Prospectus to "set-off" are to be read as references to analogous rights in Scotland.

It should be noted however, that the Asset Coverage Test seeks to take account of the potential set-off risk associated with Borrowers holding deposits with the Seller (although there is no assurance that all such risks will be accounted for). Further, for so long as the LLP does not have legal title, the Seller will undertake for the benefit of the LLP and the Secured Creditors that it will lend its name to, and take such other steps as may be reasonably required by the LLP and/or the Security Trustee in relation to, any legal proceedings in respect of the Mortgage Loans and their Related Security.

If any of the risks described above were to occur then the realisable value of the Mortgage Portfolio or any part thereof may be affected.

Under the Mortgage Sale Agreement, the Seller will grant to the LLP a power of attorney to give it the power to do all further things and take all necessary action to perfect the transfer of legal title to the Mortgage Loans and their Related Security following the occurrence of a Relevant Event.

The holding of a beneficial interest under a Scottish Declaration of Trust has (broadly) equivalent legal consequences in Scotland to the holding of an equitable interest in England and Wales, as described above (namely, the LLP's interest in the property held on trust may become subject to the interests of bona fide third party purchasers who have completed title to the relevant property and the Seller as trustee under such Scottish Declaration of Trust must lend its name in any legal proceedings). Similarly, prior to notice of the trust being given to a Borrower, the Borrower may be at risk of exercising certain rights of retention (i.e. set-off) against the Seller.

Further to the granting of the initial Scottish Declaration of Trust, the LLP will grant to the Security Trustee an assignation in security (i.e. a fixed charge) over, *inter alia*, its interest, under such Scottish Declaration of Trust, in the Mortgage Loans which are Scottish Mortgage Loans and their Related Security comprised in the Mortgage Portfolio, pursuant to the Deed of Charge.

If the LLP fails to comply with Scottish formalities, the security over the Scottish Mortgages created under such assignation in security may be prejudiced.

1.11 Realisation of Charged Property following the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice and/or following the commencement of winding-up proceedings against the LLP

If an LLP Event of Default occurs and an LLP Acceleration Notice is served on the LLP and/or winding-up proceedings are commenced against the LLP, then the Security Trustee will be entitled to enforce the Security created under and pursuant to the Deed of Charge and the proceeds from the realisation of the Charged Property will be applied by the Security Trustee towards payment of all secured obligations in accordance with the Post-Enforcement Priority of Payments, described in "*Cashflows*" below.

There is no guarantee that the proceeds of realisation of the Charged Property will be in an amount sufficient to repay all amounts due to the Secured Creditors (including the Covered Bondholders) under the Covered Bonds and the Transaction Documents.

If an LLP Acceleration Notice is served on the LLP then the Covered Bonds may be repaid sooner or later than expected or not at all.

1.12 Risks relating to Buy-to-Let mortgages

The Mortgage Loans in the Mortgage Portfolio include buy-to-let loans where the relevant Mortgaged Properties are not owner-occupied and may be let by the relevant Borrower to tenants. For further information regarding the various conditions applicable to the sale of Mortgage Loans and their Related Security, please see "Mortgage Sale Agreement –Eligibility Criteria" below. The Borrower's ability to service payment obligations in respect of such a Mortgage Loan is likely to depend on the Borrower's ability to lease the relevant Mortgaged Properties on appropriate terms. However, there can be no guarantee that each such Mortgaged Property will be the subject of an existing tenancy when the relevant Mortgage Loan is acquired by the LLP or that any tenancy which is granted will subsist throughout the life of the Mortgage Loan and/or that the rental income achievable from such tenancy will be sufficient to provide the Borrower with sufficient income to meet the Borrower's interest obligations in respect of the Mortgage Loan (or that there will not be any default of payment in rent). This apparent dependency on rental income may increase the likelihood during difficult market conditions of higher delinquency rates and losses on buy-to let mortgages than for owner-occupied mortgages which may adversely affect the ability of the LLP to make interest and/or principal payments on the Covered Bonds if a Notice to Pay is served on the LLP in respect of the Covered Bond Guarantee.

Further information in relation to the regulation of buy-to-let loans can be found in the section headed "*Information Relating to the Regulation of the mortgages in the UK – Regulation of buy-to-let mortgages*" below. The introduction of the measures described in this section may adversely affect the private residential rental market in the UK in general and (in the case of the restriction of income tax relief) the ability of individual Borrowers of buy-to-let loans to meet their obligations under those Loans. If any of the risks described above were to occur then the realisable value of the Mortgage Portfolio or any part thereof may be affected which may reduce the amounts available to pay Covered Bondholders.

1.13 Risks related to Offset Mortgage Loans

Offset Mortgage Loans have an additional feature of being economically linked to a borrower's current and/or savings accounts with the relevant Originator where a borrower may offset any credit balances in their current and/or savings account against money owed on their mortgage loan.

Under an Offset Mortgage Loan, the relevant Originator will not charge the borrower interest in relation to amounts outstanding under that mortgage loan to the extent such amounts equal the credit balances of the borrower's current and/or savings account, and the borrower shall not earn any equivalent amount of interest on those credit balances of their current and/or savings account. As such, a borrower may not be required to pay the full amount of interest in relation to Offset Mortgage Loans. Offset Mortgage Loans would constitute a New Mortgage Loan Type and are not at present permitted to form part of the Mortgage Portfolio. However, if Offset Mortgage Loans are accepted as a New Mortgage Loan Type in the future, any reduction in the amount of interest that the borrower is required to pay as a result of the off-set features would reduce the incoming cash flow to the LLP and may affect the LLP's ability to make payments under the Covered Bond Guarantee. Although Offset Mortgage Loans would constitute a New Mortgage Loan Type and do not at present form part of the Mortgage Portfolio, Covered

Bondholders should note that following the Part VII Effective Date and subject to Offset Mortgage Loans being approved as a New Mortgage Loan Type, the Seller may sell Offset Mortgage Loans to the LLP.

1.14 Standard Mortgage Documentation and Further Advances

Under the standard form mortgage conditions used in connection with the Mortgage Portfolio, a Borrower is not specifically prohibited from granting further security to third parties.

Not all of the standard form documentation requires that a note is placed on the register of the Mortgaged Property at HM Land Registry (in respect of English Mortgages) that there is an obligation to make a further advance and this reflects the characteristics of the Mortgage Loans. None of the standard form documentation sets out a maximum amount that the mortgage secures.

Where (in respect of English Mortgages that are registered at HM Land Registry a Further Advance (as described in the section "*Product Switches and Further Advances*") is to be made to the Borrower at the discretion of the Seller and at that time the Borrower has granted security to a third party there is a risk that the charge over any such Further Advance will rank behind the existing security granted to that third party if the Seller has received notice of the creation of the security in favour of the third party (or notice is treated as having been received when, in accordance with the relevant mortgage terms, it ought to have been deemed received) and has not agreed with the third party that the charge over the Further Advance shall rank in priority to the third party's security. Whilst it would be standard procedure to search at HM Land Registry to establish the existence of any subsequent third party security prior to the granting of any Further Advance in order to establish whether any such agreements need to be obtained prior to the release of the Further Advance, there is a risk that procedure may not have been followed in a particular case.

Where (in respect of Scottish Mortgages) a Further Advance (as described in the section "*Product Switches and Further Advances*") is made to the borrower and at that time the borrower has granted security to a third party who has notified the Seller of the existence of such security there is a risk that the security over the Further Advance will rank behind the security granted to that third party if a ranking agreement is not entered into agreeing that the security over the Further Advance shall rank in priority to the third party's security. If the ranking agreement is not registered or recorded at the Registers of Scotland there is a risk that a purchaser of the second mortgage from the second mortgagee might claim that the deed of postponement or ranking agreement did not bind it.

1.15 Mortgage Loans are subject to certain legal and regulatory risks

Certain legal and regulatory risks exist in relation to the Mortgage Loans and their Related Security, including changes in law, regulation, the possibility of complaints by Borrowers in relation to terms of the Mortgage Loans and in relation to the policies and procedures of the Seller. If any of these risks materialise they could have an adverse effect on the Seller, the Issuer and the LLP and could adversely affect the ability of the Issuer to make payments on the Covered Bonds. The effect of future regulatory considerations by their nature are unknown and could adversely affect the value of the Mortgage Portfolio and the ability of the LLP to make interest and/or principal payments on the Covered Bonds if a Notice to Pay is served on the LLP in respect of the Covered Bond Guarantee. Further detail on certain considerations in relation to the regulation of mortgages in the UK is set out in the section headed "Information Relating to the Regulation of the mortgages in the UK" below and certain specific risks are set out below:

Regulated Mortgage Contracts. A Borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention by an authorised person of the FCA or PRA rules, and may set off the amount of the claim against the amount owing by the Borrower under the loan or any other loan that the Borrower has taken with that authorised person (or exercise analogous rights in Scotland). Any such set off in respect of the Mortgage Loans may adversely affect the LLP's ability to make payments on the Covered Bond Guarantee.

Any regulated activities carried on by an entity which is not authorised under the FSMA would be in breach of the general prohibition on conducting unauthorised regulated activities in Section 19 FSMA and would be a criminal offence. In addition to criminal offences the FCA may take civil action against a firm which breaches Section 19 FSMA with, potentially, the imposition of unlimited fines. Therefore, to the extent that the LLP or Administrator does not ensure that it acts with the necessary authorisation

under the FSMA, there is a risk that such action will result in criminal or civil sanctions against the LLP or Administrator. However, this will not render the contract unenforceable against the borrower. Further detail is included in the section headed "*Information Relating to the Regulation of the mortgages in the UK – Mortgages Regulated under the FSMA*" below.

Regulation of buy-to-let Mortgages. The exercise of supervisory and enforcement powers by the FCA may adversely affect the Issuer's ability to make payment on the Covered Bonds when due, particularly if the FCA orders remedial action in respect of past conduct. In addition, for those buy-to-let Mortgages regulated by the CCA, non-compliance with certain provisions of the CCA may render a regulated credit agreement totally unenforceable or unenforceable without a court order or an order of the appropriate regulator, or may render the borrower not liable to pay interest or charges in relation to the period of non-compliance. This may adversely affect the Issuer's ability to make payment on the Covered Bonds when due. Further detail is included in the section headed "*Information Relating to the Regulation of the mortgages in the UK – Regulation of buy-to-let mortgages*" below.

Guidance Issued by the Regulators. Guidance issued by the regulators has changed over time and it is possible that it may change in the future. No assurance can be given that any changes in legislation, guidance or case law as it relates to the Mortgage Portfolio will not have a material adverse effect on the Seller, the LLP and/or the Administrator and their respective businesses and operations. There can be no assurance that any such changes (including changes in regulators' responsibilities) will not affect the Mortgage Loans. Any such changes (including changes in regulators' responsibilities) may also adversely affect the Issuer's operating results, financial condition and prospects.

Buildings Insurance. No assurance can be given that the LLP will always receive the benefit of any claim made under any applicable buildings insurance contracts or that the amounts received in respect of a successful claim will be sufficient to reinstate the affected Mortgaged Property. This could adversely affect the value of the Mortgage Portfolio and the ability of the LLP to make interest and/or principal payments on the Covered Bonds if a Notice to Pay is served on the LLP in respect of the Covered Bond Guarantee.

Unfair Relationships. If a court determined that there was an unfair relationship between the Lender and the Borrowers in respect of the Mortgage Loans and ordered that financial redress was made in respect of such Mortgage Loans such redress may adversely affect the ultimate amount received by the LLP in respect of the relevant Mortgage Loans, and the realisable value of the Mortgage Portfolio and/or the ability of the LLP to make payments under the Covered Bond Guarantee. Further detail is included in the section headed "*Information Relating to the Regulation of the mortgages in the UK – Unfair relationships*" below.

Distance Marketing Regulations. The Financial Services (Distance Marketing) Regulations 2004 (the "**DM Regulations**") allow, in certain specified circumstances, a borrower to cancel a credit agreement it has entered into with lenders without the provision of certain required information. If a significant proportion of the Mortgage Loans are treated as being cancellable under these regulations, there could be an adverse effect on the LLP's receipts in respect of the Mortgage Loans affecting the LLP's ability to make payments on the Covered Bond Guarantee. Further detail is included in the section headed "*Information Relating to the Regulation of the mortgages in the UK – Distance Marketing Regulations*" below.

UTCCR and CRA. The broad and general wording of the UTCCR and the CRA makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any Mortgage Loans which have been made to Borrowers covered by the UTCCR may contain unfair terms which may result in the possible unenforceability of such terms of the underlying loans. If any term of the Mortgage Loans entered into between 1 July 1995 and 30 September 2015 is found to be unfair for the purpose of the UTCCR, this may reduce the amounts available to meet the payments due in respect of the Covered Bond Guarantee, including by way of non-recovery of a Mortgage Loan by the Seller or the LLP, a claim made by the Borrower or the exercise by the Borrower of a right of set-off arising as a result of a term of a loan being found to be unfair (and therefore not binding on the consumer) and may adversely affect the LLP's ability to make payments on the Covered Bond Guarantee.

Following developments in case law, including at the Court of Justice of the EU, on 19 December 2018, the FCA published guidance outlining factors the FCA consider firms should have regard to when

drafting and reviewing variation terms in consumer contracts "Fairness of variation terms in financial services consumer contracts under the Consumer Rights Act 2015" (FG 18/7). The finalised guidance relates to all financial services consumer contracts entered into since 1 July 1995.

The extremely broad and general wording of the UTCCR and CRA makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any Loans which have been made to Borrowers covered by the UTCCR and CRA may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans.

The guidance issued by the FSA (and, as of 1 April 2013, the FCA), the OFT and the CMA has changed over time and it is possible that it may change in the future. If any term of the Mortgage Loans entered into on or after 1 October 2015 is found to be unfair for the purpose of the CRA, this may reduce the amounts available to meet the payments due in respect of the Covered Bond Guarantee. No assurance can be given that any such changes in guidance on the UTCCR and CRA, or reform of the UTCCR and the CRA, will not have a material adverse effect on the Seller, the Servicer and the Issuer and their respective businesses and operations. There can be no assurance that any such changes (including changes in regulators' responsibilities) will not affect the Mortgage Loans. Further detail in relation to both the UTCCR and the CRA is included in the section headed "*Information Relating to the Regulation of the mortgages in the UK – Unfair Terms in Consumer Contracts Regulations 1994 and 1999 and the Consumer Rights Act 2015*" below.

Mortgage repossessions. The protocols for mortgage repossession and the Mortgage Repossessions (Protection of Tenants etc.) Act 2010 may have adverse effects in relation to the ability of the Seller to repossess properties in markets experiencing above average levels of possession claims. Delays in the initiation of responsive action in respect of the Mortgage Loans may result in lower recoveries and may adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee. Further detail is included in the section headed "*Information Relating to the Regulation of the mortgages in the UK – Repossessions*" below.

Breathing Space Regulations. The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020 came into force on 4 May 2021 (the "**Breathing Space Regulations**"). The Breathing Space Regulations give eligible individuals in England and Wales the right to legal protection from their creditors (including almost all enforcement action) during a period of breathing space. The Breathing Space Regulations do not apply to mortgages, except for arrears which are uncapitalised at the date of the application under the Breathing Space Regulations. There is a risk that delays in the initiation of enforcement action in respect of the Mortgage Loans may result in lower recoveries and may adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee. Further detail is included in the section headed "*Information Relating to the Regulation of the mortgages in the UK –Breathing Space Regulations*" below.

Consumer Protection from Unfair Trading Regulations 2008 and the Digital Markets, Competition and Consumers Act 2024: the Consumer Protection from Unfair Trading Regulations (the "**CPUTR**") prohibits certain practices which are deemed unfair within the terms of the CPUTR. Breach of the CPUTR may lead to liability for misrepresentation or breach of contract in relation to the underlying credit agreements, which may result in irrecoverable losses on amounts to which such agreements apply and which may adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee. Further, in May 2024 some parts of the Digital Markets, Competition and Consumers Act 2024 (the "**DMCCA**") came into force. Once fully in force, the DMCCA will revoke the CPUTR rules and recreate their effect, with some amendments. The new regime will introduce new rules on consumer reviews, drip pricing and consumer vulnerability, new powers to expand the list of automatically unfair practices and a new enforcement regime. While the new unfair commercial practices regime under the DMCCA will apply to acts or omissions which take place on or after the commencement date (to be determined by secondary legislation) the possibility of having an adverse impact on the Loans cannot be excluded. Further detail in relation to the CPUTR is included in the section headed "*Information Relating to the Regulation of the mortgages in the UK – Consumer Protection from Unfair Trading Regulations 2008 and the Digital Markets, Competition and Consumers Act 2024*" below.

The Renting Homes (Wales) Act 2016. The Renting Home (Wales) Act 2016 (the "**Renting Homes Act**") received royal assent on 18 January 2016 and fully entered into force on 1 December 2022. The Renting Homes Act converts the majority of existing residential tenancies in Wales into an occupation contract' with retrospective effect.

The Renting Homes Act may result in lower recoveries in relation to buy-to-let mortgage loans over properties in Wales and may adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee with respect to the Covered Bonds. Further detail in relation to the Renting Homes Act is included in the section headed "*Information Relating to the Regulation of the mortgages in the UK – The Renting Homes (Wales) Act 2016*" below.

FCA response to the cost of living crisis. On 16 June 2022, the FCA sent a "Dear CEO" letter which stated that the FCA consider that the Mortgages Tailored Support Guidance published on 25 March 2021 (the "**Mortgages Tailored Support Guidance** ") which was issued to address exceptional circumstances arising out of COVID-19, is also relevant for borrowers in financial difficulties due to other circumstances such as the rising cost of living. Therefore, if a borrower indicates that they are experiencing or reasonably expect to experience payment difficulties due to the rising cost of living, the FCA have said that lenders should offer prospective forbearance to enable them to avoid, reduce, or manage any payment shortfall that would otherwise arise. This includes borrowers who have not yet missed a payment. On 10 April 2024, the FCA published PS24/2: Strengthening protections for borrowers in financial difficulty: Consumer credit and mortgages and the related Consumer Credit and Mortgages (Tailored Support) Instrument 2024 (FCA 2024/7). It also published FG24/2: Guidance for firms supporting existing mortgage borrowers impacted by rising living costs. The FCA have stated that they want to build on the Mortgages Tailored Support Guidance and provide a stronger framework for lenders to protect customers facing payment difficulties, they are doing this by incorporating relevant aspects of the Mortgages Tailored Support Guidance into their Handbook, as well as introducing further targeted changes. For mortgages, the FCA have changed their guidance to allow lenders more scope to capitalise payment shortfalls where appropriate and to improve disclosure for all customers in payment shortfall. The new rules came into force on 4 November 2024 and the Mortgages Tailored Support Guidance was withdrawn at that time. There can be no assurance that the FCA, or other UK government or regulatory bodies, will not take further steps in response to the rising cost of living in the UK which may impact the performance of the Loans, including further amending and extending the scope of the above guidance. Further detail in relation to the FCA response to the cost of living crisis is included in the section headed "*Information Relating to the Regulation of the mortgages in the UK – FCA response to the cost-of-living crisis*" below.

FCA Consumer Duty. The FCA's new Consumer Duty rules came into force in respect of on-sale products for regulated firms on 31 July 2023 and extended to off-sale products from 31 July 2024. This introduced a higher level of consumer protection in retail financial markets with focus being on the achievement of good customer outcomes. Notwithstanding the guidance from the FCA, it is unclear how the new Consumer Duty rules will operate in practice in all respects. There is a risk that if the consumer duty obligations relating to "fair value" or "not causing harm" are not met in relation to Mortgage Loans in the Mortgage Portfolio, this may have an adverse effect of the quality of the Cover Pool which in turn may adversely affect the ability of the Issuer to make payments in full on the Covered Bonds when due. Further detail is included in the section headed "*Information Relating to the Regulation of Mortgages in the UK- Consumer Duty*".

Mortgage Charter. The Issuer is a signatory to the Mortgage Charter and has agreed that, among other things, a borrower will not be forced to leave their home without their consent unless in exceptional circumstances, in less than a year from their first missed payment. In addition, lenders will permit borrowers who are up to date with their payments to: (i) switch to interest-only payments for six months (the "**MC Interest-only Agreement**"); or (ii) extend their mortgage term to reduce their monthly payments and give borrowers the option to revert to their original term within six months by contacting their lender (the "**MC Extension Agreement**"). These options can be taken by borrowers who are up to date with their payments without a new affordability check or affecting their credit score. The Mortgage Charter commitments do not apply to buy-to-let mortgages. This may adversely affect the ability of the Issuer to make payments when due on the Covered Bonds, or (if applicable) the ability of the LLP to meet its obligation under the Covered Bond Guarantee. Further detail in relation to the Mortgage Charter is included in the section headed "*Information Relating to the Regulation of the mortgages in the UK – Mortgage Charter*" below.

Energy Efficiency

As further described in the section headed "*Information Relating to the Regulation of the mortgages in the UK – Energy Efficiency Regulations 2015*" certain landlords and other property owners are subject to, or will become subject to, minimum or revised energy performance or EPC ratings in relation to their

properties. There is a risk that if minimum EPC proposals or revised EPC proposals are enacted, this could result in increasing arrears within the buy-to-let portfolio. This may adversely affect the ability of the Issuer to make payments when due on the Covered Bonds, or (if applicable) the ability of the LLP to meet its obligation under the Covered Bond Guarantee.

Assured Shorthold Tenancy (AST). There is a risk that where:

(a) a long lease in England and Wales is also an AT/AST due to the level of the ground rent;

(b) the tenant is in arrears of ground rent for more than 3 months;

(c) the landlord chooses to use the HA 1988 route to seek possession under Ground 8; and

(d) the tenant does not manage to reduce the arrears to below 3 months' ground rent by the date of the court hearing,

the long lease in England and Wales will come to an end and the landlord will be able to re-enter the relevant property. This may adversely affect the realisable value of the Portfolio, and/or the ability of the LLP to make payments under the Covered Bond Guarantee.

Private Housing (Tenancies) (Scotland) Act 2016. The Private Housing (Tenancies) (Scotland) Act came into force on 1 December 2017, and existing assured tenancies and short assured tenancies in place before 1 December 2017 will continue until brought to an end or converted. Each qualifying tenancy agreement from 1 December 2017 will be a "private residential tenancy" which will (except in a limited number of exceptions) provide tenants with security of tenure by restricting a landlord's ability to regain possession of the property to a number of specific eviction grounds.

Accordingly, a lender or security-holder may not be able to obtain vacant possession if it wishes to enforce its security unless one of the specific eviction grounds under the legislation applies. It should be noted though that one of the grounds on which an eviction order can be sought is that a lender or security-holder intends to sell the property and requires the tenant to leave the property in order to dispose of it with vacant possession. The effect of this legislative change will primarily be restricted to any buy-to-let loans secured over Scottish Mortgaged Property. As such there may have adverse effects in markets experiencing above average levels of possession claims. Delays in the initiation of responsive action in respect of the Mortgage Loans may result in lower recoveries and may affect the ability of the LLP to make payments under the Covered Bond Guarantee. Further detail is included in the section headed "*Information Relating to the Regulation of the mortgages in the UK – Private Housing (Tenancies) (Scotland) Act 2016*." below.

Representations and Warranties given by the Seller. The Seller will give warranties to the LLP in the Mortgage Sale Agreement that, among other things, each of its Mortgage Loans and their Related Security is enforceable (subject to exceptions). If a Mortgage Loan or its Related Security does not comply with these warranties, and if the default cannot be or is not cured within the time periods specified in the Mortgage Sale Agreement, then the Seller will, upon receipt of notice from the LLP, be solely liable to repurchase the relevant Loan(s) and their Related Security from the LLP in accordance with the relevant Mortgage Sale Agreement. Any failure by the Seller to repurchase the relevant Loan(s) could have an adverse effect of the quality of the Cover Pool which in turn could affect the ability of the Covered Bondholders to receive all amounts due on the Covered Bonds.

Ombudsman. The Financial Ombudsman Service (the "**Ombudsman**") is required to make decisions in respect of, among other things, complaints relating to activities and transactions under its jurisdiction. The Ombudsman is required to make decisions on the basis of, among other things, the principles of fairness, and may order a monetary award to the borrower. It is not possible to predict how any future decision of the Ombudsman would affect the LLP's ability to make payment in full on the Covered Bond Guarantee when due. Further detail is included in the section headed "*Decisions of the Ombudsman could lead to some terms of the Mortgage Loans being varied, which may adversely affect payments on the Covered Bonds)*" below.

E. RISKS RELATING TO REGULATION OF THE COVERED BONDS

1.1 UK regulated covered bond regime

The Issuer has been admitted to the register of issuers and the Programme has been admitted to the register of regulated covered bonds. The FCA may take certain actions in respect of the Issuer and/or the LLP under the RCB Regulations. Such actions include directing the winding-up of the LLP, removing the Issuer from the register of issuers (but pursuant to the RCB Regulations, a regulated covered bond may not be removed from the relevant register prior to the expiry of the whole period of validity of the relevant bond), directing the Issuer and/or the LLP to take specified steps for the purpose of complying with the RCB Regulations and/or imposing a financial penalty of such amount as it considers appropriate in respect of the Issuer or the LLP and/or restricting the ability of the Seller to transfer further loans to the LLP and directing the Issuer to publish information given to the FCA under the RCB Regulations. Moreover, the bodies which regulate the financial services industry in the UK may take certain actions in respect of issuers using their general powers under the UK regulatory regime (including restricting an issuer's ability to transfer further assets to the asset pool). There is a risk that any such regulatory actions may reduce the amounts available to pay Covered Bondholders.

With respect to the risks referred to above, see also "*Cashflows*" and "*Description of the UK Regulated Covered Bond Regime*" below for further details.

F. RISKS RELATING TO COUNTERPARTIES

1.1 Reliance of the LLP on third parties

The LLP has entered into agreements with a number of third parties, which have agreed to perform services for the LLP. In particular, but without limitation, the Administrator has been appointed to administer Mortgage Loans in the Mortgage Portfolio sold to the LLP, the Cash Manager has been appointed to calculate and monitor compliance with the Asset Coverage Test and the Amortisation Test and to provide cash management services to the LLP, the Issuer Account will be held with the Issuer Account Bank and the Transaction Account will be held with the Account Bank. In the event that any of those parties fails to perform its obligations under the relevant agreement to which it is a party, the realisable value of the Mortgage Portfolio or any part thereof or pending such realisation (if the Mortgage Portfolio or any part thereof cannot be sold) the ability of the LLP to make payments under the Covered Bond Guarantee may be affected. For instance, if the Administrator has failed adequately to administer the Mortgage Loans, this may lead to higher incidences of non-payment or default by Borrowers. The LLP is also reliant on the Swap Providers to provide it with the funds matching its obligations under the Intercompany Loan Agreement and the Covered Bond Guarantee, as described below.

If an Administrator Termination Event occurs pursuant to the terms of the Administration Agreement, then the LLP and/or the Security Trustee will be entitled to terminate the appointment of the Administrator and appoint a new administrator in its place. There can be no assurance that a substitute administrator with sufficient experience of administering mortgages of residential properties would be found who would be willing and able to service the Mortgage Loans on the terms of the Administration Agreement. In addition, as described below, any substitute administrator will be required to be authorised under the FSMA. The ability of a substitute administrator to fully perform the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute administrator may affect the realisable value of the Mortgage Portfolio or any part thereof, and/or the ability of the LLP to make payments under the Covered Bond Guarantee. If the Administrator ceases to be assigned:

(a) in respect of Moody's, a counterparty risk assessment of Baa3(cr) or, if a counterparty risk assessment is not available, a long-term unsecured, unguaranteed and unsubordinated debt obligation rating of at least Baa3; or

(b) in respect of Fitch, a long-term IDR of at least BBB-,

it will, with the assistance of the Back-Up Administrator Facilitator, use reasonable efforts to enter into a back-up administration agreement, in form and substance acceptable to the parties to the Administration Agreement, with a suitably experienced third party acceptable to, and which shall be appointed by, the LLP within 60 days of the Administrator ceasing to be assigned such rating.

The Administrator has no obligation itself to advance payments that Borrowers fail to make in a timely fashion. Covered Bondholders will have no right to consent to or approve of any actions taken by the Administrator under the Administration Agreement.

Neither the Security Trustee nor the Bond Trustee is obliged in any circumstances to act as an administrator or to monitor the performance by the Administrator of its obligations.

The performance of any such third parties may also be affected by economic, social, political and other factors, such as changes in the national or international economic climate, regional economic conditions, changes in laws, political developments and government policies, natural disasters, illness (including illnesses from epidemics or pandemics) and widespread health crises or the fear of such crises (such as coronavirus, measles, SARS, Ebola, H1N1, Zika, avian influenza, swine flu, or other epidemic diseases), which may result in a material delay or default in the performance of certain services in relation to the Covered Bonds by such third parties.

1.2 Reliance on Issuer Account Bank

As described in "*Summary of the Principal Documents – Issuer Bank Account Agreement*", an amount up to the Issuer Permitted Cash Amount may be credited to and held in the Issuer Account (which amount will form part of the funds available for distribution on the next following Loan Interest Payment Date or LLP Payment Date). If an Insolvency Event were to occur in relation to the Issuer Account Bank, it is possible that such amounts could not be withdrawn and transferred to the LLP resulting in a reduction in Available Principal Receipts and Available Revenue Receipts available for distribution on the relevant Loan Interest Payment Date or LLP Payment Date.

1.3 Reliance on Swap Providers

To provide a hedge against possible variances in the rates of interest payable on the Mortgage Loans in the Mortgage Portfolio (which may, for instance, include variable rates of interest, discounted rates of interest, fixed rates of interest or rates of interest which track a base rate) and a compounded daily SONIA rate, the LLP may, from time to time, enter into Interest Rate Swaps with an Interest Rate Swap Provider. If the ratings of an Interest Rate Swap Provider fall below a specified ratings level (which level will be lower in respect of actions to be taken in relation to an SVR Interest Rate Swap than for other Interest Rate Swaps), such Interest Rate Swap Provider may be obliged to post collateral for its obligations under the relevant Interest Rate Swap, transfer its obligations under the relevant Interest Rate Swap Agreement to an appropriately rated entity, obtain a guarantee of its obligations under the relevant Interest Rate Swap Agreement from an appropriately rated guarantor and/or take such other action (which may include no action and, in the case of an SVR Interest Rate Swap, reducing the notional amount of the SVR Interest Rate Swap to zero (subject to certain conditions including the receipt of regulatory approvals and satisfaction of regulatory requirements)) which will result in the ratings assigned to the Covered Bonds being maintained at, or restored to, the level at which the Covered Bonds were rated immediately prior to the date on which the relevant downgrade occurred. In addition, to provide a hedge against interest rate and currency risks in respect of amounts received by the LLP under the Mortgage Loans and the Interest Rate Swaps and amounts payable by the LLP on the outstanding Term Advances or (following service on the LLP of a Notice to Pay) under the Covered Bond Guarantee in respect of the Covered Bonds, the LLP will enter into a Covered Bond Swap Agreement with each Covered Bond Swap Provider other than in respect of Floating Rate Covered Bonds denominated in pounds Sterling which bear interest calculated by reference to Compounded Daily SONIA.

If the LLP fails to make timely payments of amounts due under any Swap Agreement (except where such failure is caused by the assets available to the LLP on the relevant Due for Payment Date being insufficient to make the required payment in full), then it will have defaulted under that Swap Agreement and such Swap Agreement may be terminated. Further, a Swap Provider is only obliged to make payments to the LLP as long as and to the extent that the LLP complies with its payment obligations under the relevant Swap Agreement. If a Swap Agreement terminates or the Swap Provider is not obliged to make payments or if it defaults on its obligations to make payments of amounts in the relevant currency equal to the full amount to be paid to the LLP on the payment date under the Swap Agreements, the LLP will be exposed to changes in the relevant currency exchange rates to Sterling (where relevant) and to any changes in the relevant rates of interest. Unless a replacement swap is entered into, the LLP may have insufficient funds to make payments under the Intercompany Loan Agreement or Covered Bond Guarantee.

If a Swap Agreement terminates, then the LLP may be obliged to make a termination payment to the relevant Swap Provider. There can be no assurance that the LLP will have sufficient funds available to make a termination payment under the relevant Swap Agreement, nor can there be any assurance that the LLP will be able to find a replacement swap counterparty which has sufficiently high ratings as may be specified in current rating agency criteria published by or as otherwise agreed with each Rating Agency as being sufficient to maintain the current ratings of the Covered Bonds and which agrees to enter into a replacement swap agreement.

If the LLP is obliged to pay a termination payment under any Swap Agreement, such termination payment will rank (A) in the case of Interest Rate Swaps (i) prior to the service of an LLP Acceleration Notice, the commencement of winding-up proceedings against the LLP and/or realisation of the Security, ahead of amounts due on the Covered Bonds and (ii) following the service of an LLP Acceleration Notice, the commencement of winding-up proceedings against the LLP and/or realisation of the Security, *pari passu* with amounts due on the Covered Bonds, except where default by, or downgrade of, the relevant Swap Provider has caused the relevant Swap Agreement to terminate and (B) in the case of Covered Bond Swaps, *pari passu* with amounts due on the Covered Bonds, except where default by, or downgrade of, the relevant Swap Provider has caused the relevant Swap Agreement to terminate. The obligation to pay a termination payment may adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee.

1.4 Change of counterparties

The parties to the Transaction Documents who receive and hold monies pursuant to the terms of such documents (such as the Account Bank and the Issuer Account Bank) are required to satisfy certain criteria in order that they can continue to receive and hold monies.

These criteria include requirements imposed under the FSMA and current rating criteria published by each Rating Agency from time to time in relation to the short-term, unguaranteed and unsecured ratings ascribed to such party by each Rating Agency. If the party concerned ceases to satisfy the applicable criteria, including the ratings criteria detailed above, then the rights and obligations of that party (including the right or obligation to receive monies on behalf of the LLP) may be required to be transferred to another entity which does satisfy the applicable criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the Transaction Documents.

In addition, should the applicable criteria cease to be satisfied, then the parties to the relevant Transaction Document may agree to amend or waive certain of the terms of such document, including the applicable criteria, in order to avoid the need for a replacement entity to be appointed. The consent of Covered Bondholders may not be required in relation to such amendments and/or waivers.

1.5 Conflicts

Where a party to the Transaction Documents, the Dealer Agreement and/or any Subscription Agreement and/or any of its affiliates act in numerous capacities (including, but not limited to swap providers) there may be actual or potential conflicts between (1) the interests of such party and/or any such affiliates in such various capacities and (2) the interests of the Covered Bondholders and such transaction parties and/or any such affiliates. If such conflicts arise, the effect on Covered Bondholders would be unknown.

G. RISKS RELATING TO STRUCTURAL AND DOCUMENTATION CHANGES

1.1 The Bond Trustee and the Security Trustee may agree to modifications to the Transaction Documents without, respectively, the Covered Bondholders' or Secured Creditors' prior consent

Pursuant to the terms of the Trust Deed, Condition 15(b) (*Modifications and waivers*) and the Deed of Charge, the Bond Trustee and the Security Trustee (acting on the directions of the Bond Trustee, so long as there are any Covered Bonds outstanding, or all of the other Secured Creditors if there are no Covered Bonds outstanding) may, without the consent or sanction of any of the Covered Bondholders or any of the other Secured Creditors, concur with any person in making or sanctioning any modification to, or waive or authorise any breach or proposed breach in respect of, the Transaction Documents and the Conditions of the Covered Bonds or determine, without any such consent as aforesaid, that any Issuer Event of Default or LLP Event of Default or Potential Issuer Event of Default or Potential LLP Event of Default shall not be treated as such provided that:

(i) the Bond Trustee is of the opinion that such modification, waiver, authorisation or determination will not be materially prejudicial to the interests of any of the Covered Bondholders of any Series; or

(ii) in the opinion of the Bond Trustee such modification, waiver, authorisation or determination is made to correct a manifest error or are of a formal, minor or technical nature or is made to comply with mandatory provisions of law,

provided that, prior to the Bond Trustee and the Security Trustee (acting on the directions of the Bond Trustee, so long as there are any Covered Bonds outstanding, or all of the other Secured Creditors if there are no Covered Bonds outstanding) agreeing to any such modification, waiver, authorisation or determination, the Issuer must provide written confirmation to the Bond Trustee that:

(i) such modification, waiver, authorisation or determination, as applicable, would not result in a breach of the RCB Regulations or the RCB Sourcebook, or result in the Issuer, the Programme and/or any Covered Bonds issued under the Programme ceasing to be registered under the RCB Regulations; and

(ii) either: (a) such modification, waiver, authorisation or determination would not require the FCA to be notified in accordance with Regulation 20 of the RCB Regulations; or (b) if such modification, waiver, authorisation or determination would require the FCA to be notified in accordance with Regulation 20 of the RCB Regulations, the Issuer has provided all information required to be provided to the FCA and the FCA has given its approval to such proposed modification, waiver, authorisation or determination.

In addition, the Issuer may in the future seek to amend the terms of the Programme such that the Bond Trustee shall agree to such modifications (other than in respect of a Series Reserved Matter) (and shall direct the Security Trustee to do so) without the consent or sanction of any of the Covered Bondholders or the Couponholders and without the consent or sanction of any other Secured Creditors (other than any Secured Creditor party to the relevant Transaction Document to be amended), subject to receipt by the Bond Trustee and the Security Trustee of: a certificate signed by a director of the Issuer and a certificate of a Designated Member of the LLP, each certifying to the Bond Trustee and the Security Trustee (a) that the requested amendments are to be made solely for the purpose of enabling one or more of the matters referred to in Condition 15(b) or complying with, or implementing or reflecting any change in the criteria of one or more of the Rating Agencies, without the consent of Covered Bondholders and (b) that the requested amendments are not, in the opinion of the Issuer and the LLP, materially prejudicial to the interests of any Covered Bondholders or any Secured Creditor basis.

Any such amendment to the terms of the Programme would broadly provide that any modifications proposed to comply with or implement or reflect any change in the criteria of one or more of the Rating Agencies would first be notified to Covered Bondholders, but if the requisite number of Covered Bondholders did not confirm their rejection of such proposal within the time limit specified in the relevant notice, the proposed modification would be effected. The inclusion of any such amendment to the terms of the Programme is, in accordance with the Terms and Conditions of such Covered Bonds, subject to the agreement of the Bond Trustee and Security Trustee (who have at the date of this Prospectus not been consulted on any proposal to make such amendments).

There can be no assurance that the effect of such modifications to the Transaction Documents will not ultimately adversely affect the interests of the Covered Bondholders.

1.2 Covered Bondholders will be deemed to have consented to certain modifications to the Transaction Documents so long as holders of at least 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds have not contacted the Bond Trustee, the Issuer and the Principal Paying Agent (collectively) in writing

In addition to the right of the Bond Trustee to make certain modifications to the Transaction Documents without the consent of Covered Bondholders described under *"— The Bond Trustee and the Security Trustee may agree to modifications to the Transaction Documents without, respectively, the Covered Bondholders' or Secured Creditors' prior consent*" above, the Bond Trustee shall, without any consent or sanction of the Covered Bondholders or any of the other Secured Creditors, be obliged to concur with the Issuer in making any modification (other than a Series Reserved Matter) to the Trust Deed, the

Conditions or any other Transaction Document to which it is a party or in relation to which it holds security for the purpose of (I) changing the Reference Rate on the relevant Series of Covered Bonds outstanding to an Alternative Base Rate and/or (II) changing any Reference Rate referred to in any Transaction Document (including, for the avoidance of doubt but without limitation, any Covered Bond Swap in relation to the Covered Bonds) to an alternative benchmark in order to preserve the effect of the relevant hedging or other arrangements under such Transaction Document in respect of the Covered Bonds, as further described in Condition 15(b)(iii) (*Base Rate Modifications*) (and, in each case, making such other amendments as are necessary or advisable in the reasonable judgment of the Issuer to facilitate such change) to the extent there has been or there is reasonably expected to be a material disruption or cessation to EURIBOR, in each case subject to the satisfaction of certain requirements, including receipt by the Bond Trustee of a Base Rate Modification Certificate, certifying, among other things, that the modification is required for its stated purpose.

The Issuer must provide at least 30 days' prior written notice to the Covered Bondholders of the proposed modification in accordance with Condition 14 (*Notices*) and by publication on Bloomberg on the "Company News" screen relating to the Covered Bonds. If, by the relevant deadline specified in such notice, Covered Bondholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds then outstanding have notified the Bond Trustee, the Issuer and the Principal Paying Agent (collectively) in writing (or otherwise in accordance with the then current practice of any applicable Clearing System through which such Covered Bonds may be held) that such Covered Bondholders do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Covered Bondholders of the relevant Series then outstanding is passed in favour of the Base Rate Modification in accordance with Condition 15(b)(iii) (*Base Rate Modifications*). However, in the absence of such a notification to the Bond Trustee, the Issuer and the Principal Paying Agent from Covered Bondholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds then outstanding, all Covered Bondholders will be deemed to have consented to such modification and the Bond Trustee shall, subject to the requirements of Condition 15(b)(iii) (*Base Rate Modifications*), without seeking further consent or sanction of any of the Covered Bondholders and irrespective of whether such modification is or may be materially prejudicial to the interest of the Covered Bondholders, be obliged to concur with the Issuer in making the proposed modification.

Therefore, it is possible that a modification relating to the Reference Rate could be made without the vote of any Covered Bondholders taking place, even if Covered Bondholders holding less than 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds then outstanding objected to it. In addition, Covered Bondholders should be aware that, unless they have made arrangements promptly to receive notices sent to Covered Bondholders (a) from any custodians or other intermediaries through which they hold their Covered Bonds and (b) from Bloomberg on the "Company News" screen relating to the Covered Bonds, and give the same their prompt attention, Meetings may be convened or resolutions (including Extraordinary Resolutions) may be proposed and considered and passed or rejected or deemed to be passed or rejected without their involvement even if, were they to have been promptly informed, they would have voted in a different way from the Covered Bondholders which passed or rejected the relevant proposal or resolution.

1.3 Security Trustee's powers may affect the interests of the Covered Bondholders

In the exercise of its powers, trusts, authorities and discretions the Security Trustee shall only have regard to the interests of the Covered Bondholders. In the exercise of its powers, trusts, authorities and discretions, the Security Trustee may not act on behalf of the Seller.

If, in connection with the exercise of its powers, trusts, authorities or discretions, the Security Trustee is of the opinion that the interests of the Covered Bondholders of any one or more Series would be materially prejudiced thereby, the Security Trustee shall not exercise such power, trust, authority or discretion without the approval of such Series of Covered Bondholders by Extraordinary Resolution or by a direction in writing of such Covered Bondholders of at least 25 per cent. of the Principal Amount Outstanding of Covered Bonds of the relevant Series then outstanding.

H. LEGAL AND REGULATORY RISKS

1.1 Changes in law

The structure of the issue of the Covered Bonds and the ratings which are to be assigned to them are based on English law (and, in relation to the Scottish Mortgage Loans, Scots law) in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to English law or Scots law (including any change in regulation which may occur without a change in primary legislation) or administrative practice in the UK or to UK taxation law or to the practice of HM Revenue and Customs, in each case after the date of this Prospectus, nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Covered Bonds or the ability of the LLP to make payments under the Covered Bond Guarantee.

1.2 UK EMIR and EU EMIR

The derivatives markets are subject to extensive regulation in a number of jurisdictions, including in the UK pursuant to the European Market Infrastructure Regulation (EU) No 648/2012 as amended and as it forms part of UK domestic law by virtue of the EUWA ("**UK EMIR**"), and in Europe pursuant to the European Market Infrastructure Regulation (EU) No 648/2012 as amended ("**EU EMIR**"). UK EMIR and EU EMIR establish certain requirements for OTC derivatives contracts, including: (i) a mandatory clearing obligation for certain classes of OTC derivative contracts (the "**Clearing Obligation**"), (ii) margin requirements, daily valuation and other risk mitigation techniques for OTC derivatives contracts not cleared by a central counterparty (the "**Risk Mitigation Requirements**") and (iii) certain reporting and record-keeping requirements (the "**Reporting Obligations**"). Prospective investors should also note that uncertainty remains as to the full impact on the Swap Agreements of ongoing reforms to UK EMIR and EU EMIR.

Under UK EMIR and/or EU EMIR, counterparties can be classified as (i) financial counterparties (FCs) (which includes a sub-category of small FCs), (ii) non-financial counterparties ("**NFCs**"). NFCs whose positions, together with the positions of all other non-financial counterparties in its "group" (as defined in UK EMIR or EU EMIR, as applicable), in OTC derivatives (excluding hedging positions) exceed a specified clearing threshold are classified as "**NFC+s**" entities and (iii) NFCs whose positions, together with the positions of all other non-financial counterparties in their "group" (as defined in UK EMIR or EU EMIR, as applicable), in OTC derivatives (excluding hedging positions) do not exceed a specified clearing threshold ("**NFC-s**"). Whereas FCs (excluding small FCs) and NFC+ entities must clear OTC derivatives contracts that are entered into on or after the effective date for the relevant Clearing Obligation, such obligation does not apply in respect of NFC-s entities. In addition, in respect of the Reporting Obligation, UK financial counterparties ("**UK FCs**") are solely responsible and legally liable for reporting the details of OTC derivative contracts concluded with NFC-s on behalf of both counterparties as well as for ensuring the correctness of the reported details (known as mandatory reporting). Note that the calculation of the UK EMIR clearing threshold (together with other aspects of UK EMIR) may be impacted in due course by reforms, although the scope of the UK EMIR reforms is yet to be confirmed. In an EU context, the calculation of the clearing threshold (together with other aspects of EU EMIR) will be impacted by reforms to EU EMIR as a result of EU EMIR 3.0. However, the implementation of changes to the calculation of the clearing threshold is subject to the development of secondary legislation which is not currently expected to be finalised and become applicable until at least 2025.

OTC derivatives contracts entered into by NFC+ and FC entities (and/or third country equivalent entities) with each other that are not cleared by a central counterparty may be subject to the relevant margining requirement and the relevant daily valuation obligation under UK EMIR and/or EU EMIR. On the basis that the LLP is an NFC- for the purposes of UK EMIR and/or the third country equivalent of an NFC- (a "**TCE NFC-**") for the purposes of EU EMIR, OTC derivatives contracts that are entered into by the LLP are not subject to the Clearing Obligation or any margining requirements under UK EMIR and/or EU EMIR (as may be applicable).

OTC derivatives contracts that are not cleared by a central counterparty are also subject to certain other Risk Mitigation Requirements, including arrangements for timely confirmation of OTC derivatives contracts, portfolio reconciliation, dispute resolution and arrangements for monitoring the value of outstanding OTC derivatives contracts. In order to comply with certain of these Risk Mitigation Requirements, the LLP includes appropriate provisions in each Swap Agreement and the related Transaction Documents.

1.3 Impact of a change of the LLP's counterparty's status under UK EMIR and EU EMIR

If the LLP's counterparty status were to change to an NFC+ or FC for the purposes of UK EMIR and/or a third country equivalent of an NFC+ or FC (a "**TCE NFC+**" or a "**TCE FC**" respectively) for the purposes of EU EMIR (as may be applicable), this may result in the application of the relevant Clearing Obligation or (more likely) the relevant margining requirements and the relevant daily valuation obligation under the Risk Mitigation Requirements (the "**Margin Obligation**"), as it seems unlikely that any of the Swap Agreements would be a relevant type of OTC derivatives contract that would be subject to the Clearing Obligation under UK EMIR and/or EU EMIR to date. Certain other of the Risk Mitigation Requirements may also apply in a different way (for example, the portfolio reconciliation requirement may increase in frequency). In respect of the Reporting Obligation, "mandatory reporting" would also cease to apply which means that the LLP would be legally liable and responsible for their own reporting obligations under UK EMIR (although this requirement can be delegated). It should be noted that the relevant Margin Obligation should not apply in respect of swaps entered into prior to the relevant application date, unless such a swap is materially amended or novated on or after that date. Where the relevant swap counterparty is a UK entity, an exemption from the Clearing Obligation under UK EMIR and a partial exemption in respect of the Margin Obligation under UK EMIR may be available in respect of the Interest Rate Swaps and Covered Bond Swaps, provided that the applicable conditions are satisfied.

Pursuant to the partial exemption in respect of the Margin Obligation, initial margin does not need to be posted or collected, but the LLP would be required to collect variation margin in the form of cash from its swap counterparty under in-scope Swap Agreements and return cash collected when due. If it was necessary and possible for the LLP to rely on this partial exemption, this requirement may increase the costs of entering into Swap Agreements for the LLP.

The exemption from the Clearing Obligation and partial exemption from the Margin Obligation are only likely to become relevant should the status of the LLP change from (i) an NFC- to an NFC+ or FC under UK EMIR and/or (ii) a TCE NFC- to a TCE NFC+ or TCE FC for the purposes of EU EMIR and, if clearing is applicable, should the Interest Rate Swaps and Covered Bond Swaps be regarded as a type that is subject to the relevant Clearing Obligation. Should the status of the LLP change from a TCE NFC- to a TCE NFC+ or TCE FC under EU EMIR and the relevant swap counterparty is an EU entity, from an EU EMIR perspective, there are no covered bond exemptions available to the LLP.

In respect of the Reporting Obligation under UK EMIR, with effect from 30 September 2024, changes were made to the existing UK EMIR reporting regime and the LLP must comply with the changes from this date in the event that the relevant swap counterparty is not classified as a UK FC (as the LLP remains legally liable and responsible for the Reporting Obligation even if it has delegated the Reporting Obligation to a third party). Amongst other things, all new reports (including any modifications or terminations of derivatives entered into before 30 September 2024) must comply with the amended requirements. In addition to new reports, the reported data for all outstanding derivative contracts should be updated in order to bring them in line with the revised reporting standards by 31 March 2025.

Reporting Obligations and other obligations under UK EMIR and/or EU EMIR (as may be applicable) may, inter alia, lead to more administrative burdens and higher and/or additional costs and expenses for the LLP, which may in turn reduce the amounts available to make payments with respect to the Covered Bonds. Further, if any party fails to comply with the applicable rules under UK EMIR and/or EU EMIR (as may be applicable), it may be liable for a fine. If such a fine is imposed on the LLP, this may also reduce the amounts available to make payments with respect to the Covered Bonds.

1.4 Insolvency proceedings and subordination provisions

There is uncertainty as to the validity and/or enforceability of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor. In particular, recent cases have focused on provisions involving the subordination of a hedging counterparty's payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings or other default on the part of such counterparty (so-called "flip clauses"). Such provisions are similar in effect to the terms which will be included in the Transaction Documents relating to the Priorities of Payments.

The UK Supreme Court has held in *Belmont Park Investments Pty Limited v BNY Corporate Trustee Services Ltd* and *Lehman Brothers Special Financing Inc* [2011] UKSC 38 that a flip clause as described above is valid under English law. Contrary to this, however, the U.S. Bankruptcy Court has held that

such a subordination provision is unenforceable under U.S. bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a U.S. bankruptcy of the counterparty. However, a subsequent 2016 U.S. Bankruptcy Court decision held that in certain circumstances flip clauses are protected under the Bankruptcy Code and therefore enforceable in bankruptcy. The 2016 decision was affirmed on 14 March 2018 by the U.S. District Court for the Southern District of New York, which 2018 decision was further affirmed on 11 August 2020 by the United States Court of Appeals for the Second Circuit. The implications of these conflicting judgments are not yet known.

If a creditor of the LLP (such as a swap counterparty) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales (including, but not limited to, the U.S.), and it is owed a payment by the LLP, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the English law governed Transaction Documents (such as a provision of the Priorities of Payments which refers to the ranking of the swap counterparties' payment rights). In particular, based on the decision of the U.S. Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under U.S. bankruptcy laws. Such laws may be relevant in certain circumstances with respect to a range of entities which may act as swap counterparty, including U.S. established entities and certain non-U.S. established entities with assets or operations in the U.S. (although the scope of any such proceedings may be limited if the relevant non-U.S. entity is a bank with a licensed branch in a U.S. state). In general, if a subordination provision included in the Transaction Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Covered Bondholders, the market value of the Covered Bonds and/or the ability of the LLP to satisfy its obligations under the Covered Bond Guarantee.

Lastly, given the general relevance of the issues under discussion in the judgments referred to above and that the Transaction Documents will include terms providing for the subordination of payments under the Priorities of Payment, there is a risk that the final outcome of the dispute in such judgments (including any recognition action by the English courts) may result in negative rating pressure in respect of the Covered Bonds. If any rating assigned to the Covered Bonds is lowered, the market value of the Covered Bonds may reduce.

1.5 Expenses of insolvency officeholders

Pursuant to the RCB Regulations, following the realisation of any asset pool security (excluding circumstances where there is a concurrent winding up of the LLP) certain costs and expenses are payable out of the fixed and floating charge assets of the LLP in priority to the claims of other Secured Creditors (including the Covered Bondholders). Such costs and expenses are also payable out of the floating charge assets of the LLP (but not out of the fixed charge assets) in priority to the claims of the other Secured Creditors in a winding up of the LLP and/or in an administration of the LLP. Such costs and expenses include disbursements made by the officeholder (including an administrative receiver, liquidator or administrator) in respect of costs in relation to certain senior service providers and hedge counterparties and also general expenses incurred in the corresponding insolvency proceedings in respect of the LLP (which could include any corporation tax charges). This is a departure from the general position under English law which provides that the expenses of any administration and the expenses of any liquidation only rank ahead of a holder of a floating charge (but not ahead of the claims of a fixed charge-holder).

It is intended that the LLP should be a bankruptcy-remote entity and a provision has been included in the Deed of Charge such that, in certain post-enforcement scenarios in circumstances where the RCB Regulations apply to the LLP, each Secured Creditor agrees in effect that (amongst other things) if it receives certain subordinated amounts in respect of any secured liabilities owed to it other than in accordance with the Post-Enforcement Priority of Payments (referred to under "*Cashflows*" below) then such amounts will be held on trust for the Security Trustee and paid over to the Security Trustee immediately upon receipt so that such amounts may be applied in accordance with that priority of payments. Notwithstanding such provision, assuming that the RCB Regulations will apply, there is a risk that in certain circumstances the relevant provisions of the RCB Regulations will result in a reduction in the amounts available to pay Covered Bondholders. In particular, it is not possible to bind third parties (such as HMRC) in relation to such subordination provisions.

See also the investment consideration described below under "*Liquidation Expenses*".

1.6 Fixed charges may take effect under English law as floating charges

Pursuant to the terms of the Deed of Charge, the LLP has purported to grant fixed charges over, amongst other things, its interests in the English Mortgage Loans and their Related Security, the Substitution Assets and its rights and benefits in the LLP Accounts and all Authorised Investments purchased from time to time.

The law in England and Wales relating to the characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the LLP may take effect under English law as floating charges only, if, for example, it is determined that the Security Trustee does not exert sufficient control over the Charged Property for the security to be said to constitute fixed charges. If the charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Security Trustee in respect of the floating charge assets. In particular, the "prescribed part" (referred to below), the expenses of any administration and/or winding up and the claims of any preferential creditors would rank ahead of the claims of the Security Trustee in this regard. Although the Enterprise Act 2002 abolished the preferential status of certain Crown debts (including the claims of the UK tax authorities), the Finance Act 2020, which took effect from 1 December 2020, provides that certain amounts owed to the UK tax authorities constitute secondary preferential debts and rank ahead of the recoveries to floating charge holders. These measures are intended to apply to taxes effectively collected by a business from customers and employees on behalf of the tax authorities and include amounts in respect of VAT, PAYE, employee national insurance contributions and construction industry scheme deductions. In addition, certain employee claims (in respect of contributions to pension schemes and wages) still have preferential status. In this regard, it should be noted that the LLP has agreed in the Transaction Documents not to have any employees, should not be required to register for VAT in the United Kingdom, and should not be subject to the construction industry scheme.

In addition, any administrative receiver, administrator or liquidator appointed in respect of the LLP will be required to set aside the prescribed percentage or percentages of the floating charge realisations in respect of the floating charges contained in the Deed of Charge.

Under Scots law the concept of fixed charges taking effect as floating charges does not arise and accordingly there is no equivalent risk in relation to the Scottish Mortgage Loans and their Related Security.

1.7 English law security and insolvency considerations

The LLP has entered into a Deed of Charge, pursuant to which it has granted the Security in respect of its obligations under the Covered Bond Guarantee (as to which, see "*Transaction Documents – Deed of Charge*"). In certain circumstances, including the occurrence of certain insolvency (or certain pre-insolvency) events in respect of the LLP, the ability to realise the Security may be delayed and/or the value of the Security impaired. In particular, it should be noted that significant changes to the UK insolvency regime have been enacted under the Corporate Insolvency and Governance Act 2020 which received Royal Assent on 25 June 2020 and came into effect on 26 June 2020. The changes include, among other things: (i) the introduction of a new moratorium regime that certain eligible companies can obtain which will prevent creditors taking certain action against the company for a specified period; (ii) a ban on operation of or exercise of ipso facto clauses preventing (subject to exemptions) termination, variation or exercise of other rights under a contract due to a counterparty entering into certain insolvency or restructuring procedures; and (iii) a new compromise or arrangement under Part 26A of the Companies Act 2006 (the "**Restructuring Plan**") that provides for ways of imposing a restructuring on creditors and/or shareholders without their consent (so-called cross-class cram-down procedure), subject to certain conditions being met and with a court adjudicating on the fairness of the restructuring proposal as a whole in determining whether or not to exercise its discretionary power to sanction the Restructuring Plan. While the Issuer and the LLP are expected to be exempt from the application of the new moratorium regime and the ban on ipso facto clauses, there is no guidance on how the new legislation will be interpreted and the Secretary of State may by regulations modify the exceptions. For the purposes of the Restructuring Plan, it should also be noted that there are currently no exemptions, but the Secretary of State may by regulations provide for exclusion of certain companies providing financial services and the UK Government has expressly provided for changes to the Restructuring Plan to be effected through secondary legislation, particularly in relation to the cross-class cram-down procedure. It is therefore

possible that aspects of the legislation may change. While the transaction structure is designed to minimise the likelihood of the LLP becoming insolvent, there can be no assurance that the LLP will not become insolvent and/or subject to pre-insolvency restructuring proceedings, no assurance can be given that any modification of the exceptions from the application of the new insolvency reforms referred to above will not be detrimental to the interests of the Covered Bondholders and there can be no assurance that the LLP will not become insolvent and/or the subject of insolvency or pre-insolvency restructuring proceedings and/or that the Covered Bondholders would not be adversely affected by the application of insolvency laws (including English insolvency law or the laws affecting the creditors' rights generally) and, if appropriate, Scottish insolvency laws.

In addition, it should be noted that, to the extent that the assets of the LLP are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge), in certain circumstances under the provisions of Sections 174A, 176ZA and 176A of the Insolvency Act 1986, certain floating charge realisations, which would otherwise be available to satisfy expenses of the insolvency proceeding and the claims of Secured Creditors under the Deed of Charge, may be used to satisfy any claims of unsecured creditors or creditors who otherwise take priority over floating charge recoveries. While certain of the covenants given by the LLP in the Transaction Documents are intended to ensure it has no significant creditors other than the secured creditors under the Deed of Charge, it will be a matter of fact as to whether the LLP has any other such creditors at any time. There can be no assurance that the Covered Bondholders will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Security.

Pursuant to the modifications made by the RCB Regulations to (amongst other things) the Insolvency Act 1986, the provisions set out above in respect of Section 176A will not apply with respect to the LLP and its floating charge assets.

1.8 Liquidation Expenses

The costs and expenses of a liquidation (including certain tax charges) will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to the approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to provisions set out in the Insolvency Rules 1986. In addition, the claims of a floating charge are subordinate to the expenses of any administration (under Schedule B1 to the Insolvency Act).

It appears that the provisions referred to above apply in respect of limited liability partnerships in general and/or to owners under the RCB Regulations. On the basis of and as a result of the changes described above, in a winding up of the LLP (whether or not the RCB Regulations apply), floating charge realisations which would otherwise be available to satisfy the claims of Secured Creditors under the Deed of Charge may be reduced by at least a significant proportion of any liquidation expenses (including certain super-priority expenses, if the RCB Regulations apply to the LLP). There can be no assurance that the Covered Bondholders will not be adversely affected by such a reduction in floating charge realisations.

1.9 Limited Liability Partnerships

The LLP is a limited liability partnership. Limited liability partnerships, created by statute pursuant to the LLPA 2000, are bodies corporate for general English law purposes and have unlimited capacity. A general description of limited liability partnerships is set out below under "*Description of Limited Liability Partnerships*". This area of the law is relatively undeveloped. Accordingly, there is a risk that as the law develops, new case law or new regulations made under or affecting the LLPA 2000 or relating to limited liability partnerships could adversely affect the ability of the LLP to perform its obligations under the Transaction Documents, the Dealer Agreement and/or any Subscription Agreement which could, in turn, adversely affect the interests of the Covered Bondholders.

1.10 Harmonisation of the EU covered bond framework

From 8 July 2022 a new covered bond directive (Directive (EU) 2019/2162) and a new regulation (Regulation (EU) 2019/2160) replaced article 52(4) of the UCITS Directive and established a revised common base-line for issue of covered bonds for EU regulatory purposes (subject to various options that members states may choose to exercise when implementing the new directive through national laws). The regulation amends article 129 of the Capital Requirements Regulation (Regulation (EU) No

575/2013) ("**EU CRR**") (and certain related provisions) and further strengthens the criteria for covered bonds that benefit from preferential capital treatment under the EU CRR regime. Given that aspects of the new regime have been transposed through national laws, some variation in the position across the EU and EEA has been introduced. As EU CRR permits the exercise of certain national discretion, the implementation has been subject to some level of national variation. In the UK, the FCA confirmed that it intends to implement the EU covered bond reforms in the UK although no consultation on the proposed amendments has yet been published. Therefore, there can be no assurances or predictions made as to the precise effect of the new regime on the Covered Bonds.

In addition, preferential regulatory treatment under article 129 of the EU CRR is not available in respect of the Covered Bonds, as the UK has left the EU and is no longer part of the EEA. Furthermore, the Covered Bonds will not be grandfathered under the EU covered bond reforms, once these become applicable, given that the new covered bond directive provides for permanent grandfathering for Article 52(4) UCITS Directive-compliant covered bonds issued by an issuer with its registered office in an EU member state before the relevant application date, provided there is continued supervision by the relevant designated competent authority in the EU (similar grandfathering provisions are also provided for in the new regulation). The Covered Bonds may be eligible as Level 2A assets under the Commission Delegated Regulation (EU) 2018/1620 (as amended), provided certain equivalence and transparency requirements are met as to which no assurances are made and prospective investors should therefore make themselves aware of the changes in addition to any other applicable regulatory requirements with respect to their investment in the Covered Bonds. Also, refer to the risk factor entitled "*Risks in relation to the UK's exit from the EU and constitutional issues*".

Investors in the Covered Bonds are responsible for analysing their own regulatory position and none of the Issuer, the LLP, any Arranger or any Dealer makes any representation to any prospective investor or purchaser of the Covered Bonds regarding the treatment of their investment on the issue date of such Covered Bonds or at any time in the future.

1.11 Pensions Act 2004

Under the Pensions Act 2004, a person that is 'connected with' or an 'associate' of an employer under an occupational pension scheme can be subject to either a contribution notice or a financial support direction. The Issuer is an employer under an occupational scheme and also a member of the LLP. On this basis, the LLP is likely to be treated as 'connected to' the Issuer.

A contribution notice could be served on the LLP if it was party to an act, or a deliberate failure to act (a) which has caused a material detriment to the pension scheme (whether or not intentionally); or (b) the main purpose or one of the main purposes of which was either (i) to prevent the recovery of the whole or any part of a debt which was, or might become, due from the employer under Section 75 of the Pensions Act 1995 or (ii) otherwise than in good faith, to prevent such a debt becoming due, to compromise or otherwise settle such a debt, or to reduce the amount of such a debt which would otherwise become due.

A financial support direction could be served on the LLP where the employer is either a service company or insufficiently resourced. An employer is insufficiently resourced if the value of its resources is less than 50 per cent. of the pension scheme's deficit calculated on an annuity buy-out basis and there is a connected or associated person whose resources at least cover that difference. A financial support direction can only be served where The Pensions Regulator considers it is reasonable to do so, having regard to a number of factors.

As a result of the English Supreme Court decision in *Re Nortel, Re Lehman Companies* [2013] UKSC 52, if The Pensions Regulator issued a financial support direction or contribution notice against the LLP then, depending on when such a direction or notice was issued (and regardless of whether the LLP was in liquidation or administration, as the case may be, at that time), any corresponding liability would not be treated as an expense of the administration or liquidation (as the case may be). As a result, such a claim would be treated as an ordinary unsecured debt and such claim would not rank in priority to, or pari passu with, the rights and claims of the Security Trustee under the Deed of Charge with respect to any charged asset.

If a contribution notice or financial support direction were to be served on the LLP this could adversely affect investors in the Covered Bonds.

1.12 Regulatory initiatives may have an adverse impact on the regulatory treatment of the Covered Bonds

In Europe, the U.S. and elsewhere, there is significant focus on fostering greater financial stability through increased regulation of financial institutions, and their corresponding capital and liquidity positions. This has resulted in a number of regulatory initiatives which are currently at various stages of implementation and which may have an impact on the regulatory position for certain investors in covered bond exposures and/or on the incentives for certain investors to hold covered bonds, and may thereby affect the liquidity of such securities. Investors in the Covered Bonds are responsible for analysing their own regulatory position and none of the Issuer, the LLP, any Dealer or any Arranger makes any representation to any prospective investor or purchaser of the Covered Bonds regarding the treatment of their investment on the date hereof or at any time in the future.

Prospective investors should therefore make themselves aware of such requirements (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other applicable regulatory requirements with respect to their investment in the Covered Bonds. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

1.13 Volcker Rule

Section 13 of the Bank Holding Company Act of 1956, as amended, and Regulation VV (12 C.F.R. Section 248) promulgated thereunder by the Board of Governors of the Federal Reserve System (such statutory provision together with such implementing regulations, the "**Volcker Rule**") generally prohibit "banking entities" (which term is broadly defined to include any U.S. bank or savings association whose deposits are insured by the Federal Deposit Insurance Corporation, any company that controls any such bank or savings association, any foreign bank treated as a bank holding company for purposes of Section 8 of the International Banking Act of 1978, as amended, and any affiliate or subsidiary of any of the foregoing entities) from (i) engaging in proprietary trading as defined in the Volcker Rule, (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund" and (iii) entering into certain relationships with such funds. Under the Volcker Rule, unless jointly determined otherwise by specified federal regulators, a "covered fund" does not include an issuer that may rely on an exclusion or exemption from the definition of "investment company" under the Investment Company Act other than those contained in Sections 3(c)(1) and 3(c)(7) of the Investment Company Act.

The LLP is not, and after giving effect to any offering and sale of Covered Bonds and the application of the proceeds thereof will not be, a "covered fund" for purposes of the Volcker Rule. In reaching this conclusion, the LLP has determined that (i) the LLP may rely on the exemption from registration under the Investment Company Act provided by Section 3(c)(5)(C) thereof and (ii) the LLP will not rely solely on Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act for its exemption from registration under the Investment Company Act. Although the LLP has conducted careful analysis to determine the availability of the exemption provided by Section 3(c)(5)(C) of the Investment Company Act, there is no assurance that the U.S. Securities and Exchange Commission will not take a contrary position.

The general effects of the Volcker Rule remain uncertain. Any prospective investor in the Covered Bonds, including a U.S. or foreign bank or a subsidiary or other affiliate thereof, should consult its own legal advisers regarding such matters and other effects of the Volcker Rule.

1.14 Potential effects of any additional regulatory changes

No assurance can be given that additional regulations or guidance from the FCA, the PRA, the FOS, the CMA or any other regulatory authority will not arise with regard to the mortgage market in the United Kingdom generally, the Seller's particular sector in that market or specifically in relation to the Seller. Any such action or developments, in particular, but not limited to, the cost of compliance, may have a material adverse effect on the Seller, the LLP and/or the Administrator and their respective businesses and operations. This may reduce the amounts available to meet the payments due in respect of the Covered Bonds.

FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression "necessary information" means, in relation to any Tranche of Covered Bonds, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Covered Bonds. In relation to the different types of Covered Bonds which may be issued under the Programme, the Issuer has included in this Prospectus all of the necessary information except for information relating to the Covered Bonds which is not known at the date of this Prospectus and which can only be determined at the time of an individual issue of a Tranche of Covered Bonds.

Any information relating to the Covered Bonds which is not included in this Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Covered Bonds will be contained either in the relevant Final Terms or in a Drawdown Prospectus.

For a Tranche of Covered Bonds which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Prospectus and must be read in conjunction with this Prospectus. The terms and conditions applicable to any particular Tranche of Covered Bonds which is the subject of Final Terms are the Conditions described in this Prospectus as completed to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Covered Bonds which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus.

In the case of a Tranche of Covered Bonds which is the subject of a Drawdown Prospectus, each reference in this Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus, unless the context requires otherwise.

FORM OF THE COVERED BONDS

The Covered Bonds of each Series will be in either bearer form, without interest coupons and/or talons attached, or registered form, without interest coupons and/or talons attached. Bearer Covered Bonds will be issued outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act ("**Regulation S**") and Registered Covered Bonds will be issued both outside the United States to non-U.S. persons in reliance on the exemption from registration provided by Regulation S and within the United States or to, or for the account or benefit of U.S. persons in reliance on Rule 144A or otherwise in private transactions that are exempt from the registration requirements of the Securities Act.

Bearer Covered Bonds

Each Tranche of Bearer Covered Bonds will be initially issued in the form of a temporary global covered bond without receipts, interest coupons or talons attached (a "**Temporary Global Covered Bond**") which, will:

(a) if the Bearer Global Covered Bonds are intended to be issued in new global covered bond ("**NGCB**") form, as stated in the applicable Final Terms (the "**applicable Final Terms** "), be delivered on or prior to the Issue Date of the relevant Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"); and

(b) if the Bearer Global Covered Bonds are not intended to be issued in NGCB form, as stated in the applicable Final Terms, be delivered on or prior to the issue date of the relevant Tranche to a common depositary (the "**Common Depositary**") for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system.

If the applicable Final Terms indicates that the Bearer Global Covered Bond is a NGCB, the nominal amount of the Covered Bonds represented by such Bearer Global Covered Bond will be the aggregate from time to time entered in the records of both Euroclear and Clearstream, Luxembourg. The records of Euroclear and Clearstream, Luxembourg (which expression in such Bearer Global Covered Bond means the records that each of Euroclear and Clearstream, Luxembourg holds for its customers which reflect the amount of each such customer's interest in the Covered Bonds) will be conclusive evidence of the nominal amount of Covered Bonds represented by such Bearer Global Covered Bond and, for such purposes, a statement issued by Euroclear and/or Clearstream Luxembourg, as the case may be, stating that the nominal amount of Covered Bonds represented by such Bearer Global Covered Bond at any time will be conclusive evidence of the records of Euroclear and/or Clearstream at that time, as the case may be.

Whilst any Bearer Global Covered Bond is represented by a Temporary Global Covered Bond, payments of principal, interest (if any) and any other amount payable in respect of the Bearer Global Covered Bonds due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Covered Bond if the Temporary Global Covered Bond is not intended to be issued in NGCB form) only to the extent that certification to the effect that the beneficial owners of interests in such Bearer Global Covered Bond are not U.S. persons for U.S. federal income tax purposes or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the "**Exchange Date**") which is 40 days after a Temporary Global Covered Bond is issued, interests in such Temporary Global Covered Bond will be exchangeable (free of charge) upon a request as described therein either for: (i) interests in a Permanent Global Covered Bond of the same Series; or (ii) for Bearer Definitive Covered Bonds of the same Series with, where applicable, interest coupons attached (as indicated in the applicable Final Terms), in each case against certification of non-U.S. beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Covered Bond will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Covered Bond for an interest in a Permanent Global Covered Bond or for Bearer Definitive Covered Bonds is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Covered Bond will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Covered Bond if the Permanent Global Covered Bond is not intended to be issued in NGCB form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for Bearer Definitive Covered Bonds with, where applicable, interest coupons attached upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that: (A) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or (B) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Bearer Covered Bonds represented by the Permanent Global Covered Bond in definitive form. The Issuer will promptly give notice to the Covered Bondholders of each Series of Bearer Global Covered Bonds in accordance with Condition 14 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Covered Bond) or the Bond Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (ii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The exchange of a Permanent Global Covered Bond for a Bearer Definitive Covered Bond upon notice from Euroclear and/or Clearstream (acting on the instructions of any holder) or at any time at the request of the Issuer should not be expressed to be applicable in the applicable Final Terms if the Covered Bonds are issued with a minimum Specified Denomination such as €100,000 (or its equivalent in another currency) plus one or more higher integral multiples of another smaller amount such as €1,000 (or its equivalent in another currency). Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Covered Bonds which is to be represented on issue by a Temporary Global Covered Bond exchangeable for definitive Covered Bonds.

Bearer Global Covered Bonds and Bearer Definitive Covered Bonds will be issued pursuant to the Trust Deed in accordance with the Agency Agreement.

The following legend will appear on all Bearer Covered Bonds (other than Temporary Global Covered Bonds) which have an original maturity of more than one year and on all interest coupons relating to such Bearer Covered Bonds:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Covered Bonds, receipts or interest coupons or talons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Bearer Covered Bonds, receipts or interest coupons or talons.

Covered Bonds which are represented by a Bearer Global Covered Bond will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Covered Bonds

The Registered Covered Bonds of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global covered bond in registered form (a "**Regulation S Global Covered Bond**"). Prior to expiry of the Distribution Compliance Period (as defined in Regulation S) applicable to each Tranche of Covered Bonds, beneficial interests in a Regulation S Global Covered Bond may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 3 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg, and such Regulation S Global Covered Bond will bear a legend regarding such restrictions on transfer.

Subject to the consent of the Bond Trustee (which must be given if certain conditions are met), the Issuer may amend the Programme to allow for the issue of Registered Covered Bonds in the form of N Covered Bonds (*Namensschuldverschreibungen*) governed by German law and evidenced by a certificate made out in the name of the holder of the N Covered Bond, as further specified in the applicable Final Terms for the relevant Series. N Covered Bonds will be in definitive form and not cleared through any clearing system.

The Registered Covered Bonds of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions exempt from registration under the Securities Act to QIBs who agree to purchase the Covered Bonds for their own account or for the benefit of other QIBs and not with a view to distribution thereof.

The Registered Covered Bonds of each Tranche sold to QIBs will be represented by a global covered bond in registered form (a "**Rule 144A Global Covered Bond**" and, together with a Regulation S Global Covered Bond, the "**Registered Global Covered Bonds**").

Registered Global Covered Bonds will either (i) in the case of a Rule 144A Global Covered Bond which is not intended to be held under the new safekeeping structure ("**NSS**" or "**New Safekeeping Structure**"), be deposited with a custodian for, and registered in the name of a nominee of, the Depository Trust Company ("**DTC**") for the accounts of Euroclear and Clearstream, Luxembourg; (ii) in the case of a Rule 144A Global Covered Bond which is intended to be held under the New Safekeeping Structure be deposited with a custodian for, and registered in the name of a nominee of the common safekeeper for Euroclear and/or Clearstream, Luxembourg; (iii) in the case of a Regulation S Global Covered Bond which is not intended to be held under the New Safekeeping Structure, be deposited with a common depositary for, and registered in the name of a nominee of, Euroclear and/or Clearstream, Luxembourg; or (iv) in the case of a Regulation S Global Covered Bond which is intended to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg, in each case as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Covered Bonds will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Definitive Covered Bonds in fully registered form.

Persons holding beneficial interests in Registered Global Covered Bonds will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Definitive Covered Bonds in fully registered form.

The Rule 144A Covered Bonds will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see "*Subscription and Sale and Transfer and Selling Restrictions*".

Payments of principal, interest and any other amount in respect of the Registered Global Covered Bonds will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6(d) (*Payments in respect of Registered Covered Bonds*)) as the registered holder of the Registered Global Covered Bonds. None of the Issuer, the LLP, the Bond Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Covered Bonds in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6(d) (*Payments in respect of Registered Covered Bonds*) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for Registered Definitive Covered Bonds without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that: (i) in the case of Covered Bonds registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Covered Bonds and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act; (ii) in the case of Covered Bonds registered in the name of a nominee for a common depositary or, as applicable, a common safekeeper (or its nominee), for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Covered Bonds represented by the Registered Global Covered Bond in definitive form. The Issuer will promptly give notice to the Covered Bondholders of each Series of Registered Global Covered Bonds in accordance with Condition 14 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any registered holder of an interest in such Registered Global Covered Bond) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii)

above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

Definitive Rule 144A Covered Bonds will be issued only in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency).

Transfer of Interests

Interests in a Rule 144A Global Covered Bond may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in a Regulation S Global Covered Bond representing the same Series and Tranche of Covered Bonds and vice versa. No beneficial owner of an interest in a Registered Global Covered Bond will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. Registered Covered Bonds are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see "*Subscription and Sale and Transfer and Selling Restrictions*".

General

Pursuant to the Agency Agreement (as defined under Conditions of the Covered Bonds), the Principal Paying Agent shall arrange that, where a further Tranche of Covered Bonds is issued which is intended to form a single Series with an existing Tranche of Covered Bonds, the Covered Bonds of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS assigned to Covered Bonds of any other Tranche of the same Series until at least the expiry of the Distribution Compliance Period applicable to the Covered Bonds of such Tranche.

Any reference herein to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Bond Trustee.

No Covered Bondholder or Couponholder shall be entitled to proceed directly against the Issuer or the LLP unless the Bond Trustee or, as the case may be, the Security Trustee, having become so bound to proceed, (i) fails so to do within a reasonable period, or (ii) is unable for any reason so to do, and the failure or inability shall be continuing.

The Issuer will notify the ICSDs and the Paying Agents upon issue whether the Covered Bonds are intended, or are not intended, to be held in a manner which would allow Eurosystem eligibility and deposited with one of the ICSDs as common safekeeper (and in the case of registered Covered Bonds, registered in the name of a nominee of one of the ICSDs acting as common safekeeper). Where the Covered Bonds are not intended to be deposited with one of the ICSDs as common safekeeper upon issuance, should the Eurosystem eligibility criteria be amended in the future such as that the Covered Bonds are capable of meeting such criteria, the Covered Bonds may then be deposited with one of the ICSDs as common safekeeper. Where the Covered Bonds are so deposited with one of the ICSDs as common safekeeper (and in the case of registered Covered Bonds, registered in the name of a nominee of one of the ICSDs acting as common safekeeper) upon issuance or otherwise, this does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at issuance or at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

TERMS AND CONDITIONS OF THE COVERED BONDS

The following are the terms and conditions of the Covered Bonds which will be incorporated by reference into each Global Covered Bond (as defined below) and each Definitive Covered Bond, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer(s) at the time of issue but, if not so permitted and agreed, such Definitive Covered Bond will have endorsed thereon or attached thereto such terms and conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Covered Bond and Definitive Covered Bond.

1. Introduction

(a) This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by Clydesdale Bank PLC[7] (the "**Issuer**") constituted by a trust deed (such trust deed as modified and/or supplemented and/or restated as at the date hereof and as further modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 9 April 2018 (the "**Initial Programme Date**") made between the Issuer, Eagle Place Covered Bonds LLP as guarantor (the "**LLP**") and HSBC Corporate Trustee Company (UK) Limited as bond trustee (in such capacity, the "**Bond Trustee**", which expression shall include any successor as Bond Trustee) and as security trustee (in such capacity, the "**Security Trustee**", which expression shall include any successor as Security Trustee).

(b) *Definitions*: Except where the context otherwise requires, capitalised terms used and not otherwise defined in these Conditions shall bear the meanings given to them in the applicable Final Terms and/or the master definitions and construction schedule signed for the purpose of identification by Allen & Overy LLP and Freshfields Bruckhaus Deringer LLP (as the same may be amended and/or supplemented and/or restated from time to time, the "**Master Definitions and Construction Schedule**"), a copy of each of which may be obtained as described in Condition 1(j) (*Transaction Documents*) below.

(c) *Interpretation*: Save as provided for in Conditions 10 (*Events of Default and Enforcement*) and 15 (*Meetings of Covered Bondholders, Modification and Waiver*), references herein to the "**Covered Bonds**" shall be references to the Covered Bonds of this Series and shall mean:

(i) in relation to any Covered Bonds represented by a global covered bond (a "**Global Covered Bond**"), units of the lowest Specified Denomination in the Specified Currency;

(ii) any Global Covered Bond;

(iii) any Definitive Covered Bonds in bearer form ("**Bearer Definitive Covered Bonds**"), issued in exchange for a Global Covered Bond in bearer form; and

(iv) any Definitive Covered Bonds in registered form ("**Registered Definitive Covered Bonds**") (whether or not issued in exchange for a Global Covered Bond in registered form).

As used herein, "**Tranche**" means Covered Bonds which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are: (i) expressed to be consolidated and form a single series; and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

(d) *Agency Agreement*: The Covered Bonds and the Coupons (as defined below) have the benefit of an agency agreement (such agency agreement as amended and/or supplemented and/or restated as at the date hereof and as further modified and/or supplemented and/or restated from time to time, the "**Agency Agreement**") originally dated the Initial Programme Date and made between the Issuer, the LLP, the Bond Trustee, the Security Trustee and HSBC Bank plc, as issuing and principal paying agent and agent bank (in such capacity, the "**Principal Paying Agent**", which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents), HSBC Bank plc, as registrar (in such capacity, the "**Registrar**", which expression shall include any successor registrar) and as transfer agent (in such capacity, a "**Transfer Agent**" and together with the

[7] The trading name of Clydesdale Bank PLC is Virgin Money.

Registrar, the "**Transfer Agents**", which expression shall include any additional or successor transfer agents. As used herein, "**Agents**" shall mean the Paying Agents and the Transfer Agents).

(e) *Coupons and Talons*: Interest-bearing Bearer Definitive Covered Bonds have interest coupons ("**Coupons**") and in the case of Covered Bonds which when issued in definitive form have more than 27 interest payments remaining, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Covered Bonds and Global Covered Bonds do not have Coupons attached on issue.

(f) *Final Terms*: The Final Terms for this Covered Bond (or the relevant provisions thereof) are attached to or endorsed on this Covered Bond and complete these terms and conditions (the "**Conditions**"). References to the "**applicable Final Terms**" are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Covered Bond or as set out in any drawdown prospectus issued specifically in relation to a particular series of Covered Bonds.

(g) *Bond Trustee*: The Bond Trustee acts for the benefit of the holders for the time being of the Covered Bonds (the "**Covered Bondholders**", which expression shall, in relation to any Covered Bonds represented by a Global Covered Bond, be construed as provided below) and the holders of the Coupons (the "**Couponholders**", which expression shall, unless the context otherwise requires, include the holders of the Talons), and for holders of each other Series of Covered Bonds in accordance with the provisions of the Trust Deed.

(h) *LLP Guarantee*: The LLP has, pursuant to the Trust Deed, irrevocably and unconditionally guaranteed the due and punctual payment of Guaranteed Amounts in respect of the Covered Bonds and the Coupons as and when the same shall become due for payment on certain dates in accordance with the Trust Deed ("**Due for Payment**"), but only after (i) service of a Notice to Pay on the LLP following an Issuer Event of Default and service by the Bond Trustee of an Issuer Acceleration Notice on the Issuer or (ii) service of an LLP Acceleration Notice on the LLP.

(i) *Deed of Charge*: The security for the obligations of the LLP under the Covered Bond Guarantee and the other Transaction Documents to which it is a party has been created in and pursuant to, and on the terms set out in, a deed of charge (such deed of charge as amended and/or supplemented and/or restated as at the date hereof and as further modified and/or supplemented and/or restated from time to time, the "**Deed of Charge**") originally dated the Initial Programme Date and made between the LLP, the Bond Trustee, the Security Trustee and certain other Secured Creditors.

(j) *Transaction Documents*: These Conditions include summaries of, and are subject to, the provisions of the Trust Deed, the Deed of Charge and the Agency Agreement. Copies of the Trust Deed, the Deed of Charge, the Master Definitions and Construction Schedule, the Agency Agreement and each of the other Transaction Documents are available for inspection during normal business hours at the registered office for the time being of the Bond Trustee being at the date of this Prospectus at 8 Canada Square, London E14 5HQ and at the specified office of each of the Paying Agents. Copies of the applicable Final Terms for all Covered Bonds of each Series are obtainable during normal business hours at the specified office of each of the Paying Agents and any Covered Bondholder must produce evidence satisfactory to the Issuer and the Bond Trustee or, as the case may be, the relevant Paying Agent as to its holding of Covered Bonds and identity. The Covered Bondholders and the Couponholders are deemed to have notice of, are bound by, and are entitled to the benefit of, all the provisions of, and definitions contained in, the Trust Deed, the Deed of Charge, the Master Definitions and Construction Schedule, the Agency Agreement, each of the other Transaction Documents and the applicable Final Terms which are applicable to them and to have notice of each set of Final Terms relating to each other Series.

2. Form, Denomination and Title

(a) *Form*: The Covered Bonds are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of Definitive Covered Bonds (being Bearer Definitive Covered Bond(s) and/or, as the context may require, Registered Definitive Covered Bond(s)), serially numbered, in the Specified Currency and the Specified Denomination(s). Covered Bonds of one Specified Denomination may not be exchanged for Covered Bonds of another Specified Denomination and Bearer Covered Bonds may not be exchanged for Registered Covered Bonds and vice versa.

(b) *Denomination*: This Covered Bond may be denominated in any currency.

(c) *Fixed Rate Covered Bond, Floating Rate Covered Bond or Zero Coupon Covered Bond*: Subject to confirmation from each Rating Agency prior to the issuance of this Covered Bond that the then current rating of any outstanding Series of Covered Bonds will not be adversely affected by the issuance of this Covered Bond, this Covered Bond may, depending upon the Interest Basis shown in the applicable Final Terms, be a Fixed Rate Covered Bond, a Floating Rate Covered Bond or a Zero Coupon Covered Bond or a combination of any of the foregoing.

(d) *Bearer Definitive Covered Bonds*: Bearer Definitive Covered Bonds are issued with Coupons attached, unless they are Zero Coupon Covered Bonds in which case references to Coupons and Couponholders in these Conditions are not applicable.

(e) *Title*: Subject as set out below, title to the Bearer Covered Bonds and Coupons will pass by delivery and title to the Registered Covered Bonds will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the LLP, the Paying Agents, the Security Trustee and the Bond Trustee will (except as otherwise required by law) deem and treat the bearer of any Bearer Covered Bond or Coupon and the registered holder of any Registered Covered Bond as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Covered Bond, without prejudice to the provisions set out in the next succeeding paragraph.

(f) *Global Covered Bonds*: For so long as any Covered Bond is represented by a Global Covered Bond deposited with a common depositary (in the case of a CGCB) or common safekeeper (in the case of a NGCB) for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") or so long as The Depository Trust Company ("**DTC**") or its nominee is the registered holder of a Registered Global Covered Bond, each person (other than Euroclear or Clearstream, Luxembourg or DTC) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg or DTC as the holder of a particular nominal amount of such Covered Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or DTC as to the nominal amount of such Covered Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error and any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream's Cedcom system) in accordance with its usual procedures and in which the holder of a particular nominal amount of the Covered Bonds is clearly identified with the amount of such holding) shall be treated by the Issuer, the LLP, the Paying Agents, the Security Trustee and the Bond Trustee as the holder of such nominal amount of such Covered Bonds for all purposes other than with respect to the payment of principal or interest or other amounts on such nominal amount of such Covered Bonds, and, in the case of DTC or its nominee, voting, giving consents and making requests, for which purpose the bearer of the relevant Global Covered Bond or the registered holder of the relevant Registered Global Covered Bond shall be treated by the Issuer, the LLP, any Paying Agent, the Security Trustee and the Bond Trustee as the holder of such nominal amount of such Covered Bonds in accordance with and subject to the terms of the relevant Global Covered Bond and the expression "**Covered Bondholder**" and related expressions shall be construed accordingly.

Covered Bonds which are represented by a Global Covered Bond will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, Luxembourg, as the case may be.

References to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits (but not in the case of any NGCB), be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

3. Transfers of Registered Covered Bonds

(a) ***Transfers of interests in Registered Global Covered Bonds***

Transfers of beneficial interests in Rule 144A Global Covered Bonds (as defined below) and Regulation S Global Covered Bonds (as defined below) (together, the "**Registered Global Covered Bonds**") will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of

beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Covered Bond will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Covered Bonds in definitive form or for a beneficial interest in another Registered Global Covered Bond only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Covered Bond registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Covered Bond, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

(b) ***Transfers of Registered Covered Bonds in definitive form***

Subject as provided in Conditions 3(e) (*Transfers of interests in Regulation S Global Covered Bonds*), 3(f) (*Transfers of interests in Rule 144A Covered Bonds*) and 3(g) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Covered Bond in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer: (i) the holder or holders must: (A) surrender the Registered Covered Bond for registration of the transfer of the Registered Covered Bond (or the relevant part of the Registered Covered Bond) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing; and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent; and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Bond Trustee and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 6 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Covered Bond in definitive form of a like aggregate nominal amount to the Registered Covered Bond (or the relevant part of the Registered Covered Bond) transferred. In the case of the transfer of part only of a Registered Covered Bond in definitive form, a new Registered Covered Bond in definitive form in respect of the balance of the Registered Covered Bond not transferred will be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to the address specified by the transferor.

(c) ***Registration of transfer upon partial redemption***

In the event of a partial redemption of Covered Bonds under Condition 7 (*Redemption and Purchase*), the Issuer shall not be required to register the transfer of any Registered Covered Bond, or part of a Registered Covered Bond, called for partial redemption.

(d) ***Costs of registration***

Covered Bondholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) ***Transfers of interests in Regulation S Global Covered Bonds***

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Covered Bond to a transferee in the United States or who is a U.S. person will only be made:

(i) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a "**Transfer Certificate**"), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor

of the Covered Bond or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or:

(ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with the Securities Act and any applicable securities laws of any State of the United States,

and, in each case, in accordance with the Securities Act and any applicable securities laws of any State of the United States or any other jurisdiction. Such transferee may only take delivery through a Rule 144A Covered Bond in global or definitive form.

Prior to the end of the applicable Distribution Compliance Period beneficial interests in Regulation S Covered Bonds registered in the name of a nominee for DTC may only be held through the accounts of Euroclear and Clearstream, Luxembourg. After expiry of the applicable Distribution Compliance Period: (i) beneficial interests in Regulation S Global Covered Bonds registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC or indirectly through a participant in DTC; and (ii) such certification requirements will no longer apply to such transfers.

(f) ***Transfers of interests in Rule 144A Covered Bonds***

Transfers of Rule 144A Covered Bonds or beneficial interests therein may be made:

(i) to a transferee who takes delivery of such interest through a Regulation S Global Covered Bond, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, in the case of a Regulation S Global Covered Bond registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Covered Bonds being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or

(ii) to a transferee who takes delivery of such interest through a Rule 144A Covered Bond where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

(iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with the Securities Act and any applicable securities laws of any State of the United States,

and, in each case, in accordance with the Securities Act and any applicable securities laws of any State of the United States or any other jurisdiction.

Upon the transfer, exchange or replacement of Rule 144A Covered Bonds, or upon specific request for removal of the legend therein, the Registrar shall deliver only Rule 144A Covered Bonds or refuse to remove the legend therein, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

(g) ***Exchanges and transfers of Registered Covered Bonds generally***

Holders of Registered Definitive Covered Bonds may exchange such Covered Bonds for interests in a Registered Global Covered Bond of the same type at any time.

(h) ***Definitions***

In these Conditions, the following expressions shall have the following meanings:

"**CGCB**" means a Temporary Global Covered Bond or a Permanent Global Covered Bond, in either case in respect of which the applicable Final Terms specify that it is not a new global covered bond;

"**Distribution Compliance Period**" means the period that ends 40 days after the completion of the distribution of the relevant Tranche of Covered Bonds, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant lead manager (in the case of a syndicated issue);

"**NGCB**" means a Temporary Global Covered Bond or a Permanent Global Covered Bond, in either case in respect of which the applicable Final Terms specify that it is a new global covered bond;

"**QIB**" means a "qualified institutional buyer" within the meaning of Rule 144A;

"**Regulation S**" means Regulation S under the Securities Act;

"**Regulation S Global Covered Bond**" means a Registered Global Covered Bond representing Covered Bonds sold to non-U.S. Persons outside the United States in reliance on Regulation S;

"**Rule 144A**" means Rule 144A under the Securities Act;

"**Rule 144A Global Covered Bond**" means a Registered Global Covered Bond representing Covered Bonds sold in the United States to QIBs in reliance on Rule 144A; and

"**Securities Act**" means the United States Securities Act of 1933, as amended.

4. Status of the Covered Bonds and the Covered Bond Guarantee

(a) ***Status of the Covered Bonds***

The Covered Bonds (and any Coupons relating thereto) will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will at all times rank *pari passu* among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, (save for such obligations as may be preferred by provisions of law).

(b) ***Status of the Covered Bond Guarantee***

The payment of Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment has been unconditionally and irrevocably guaranteed by the LLP (the "**Covered Bond Guarantee**") in the Trust Deed. However, the LLP shall have no obligation under the Covered Bond Guarantee to pay any Guaranteed Amounts until (i) the occurrence of an Issuer Event of Default, service by the Bond Trustee on the Issuer of an Issuer Acceleration Notice and service by the Bond Trustee on the LLP of a Notice to Pay or, (ii) if earlier, following the occurrence of an LLP Event of Default and service by the Bond Trustee of an LLP Acceleration Notice. The obligations of the LLP under the Covered Bond Guarantee are direct (following (i) an Issuer Event of Default, service of an Issuer Acceleration Notice and service of a Notice to Pay or (ii) an LLP Event of Default and service of an LLP Acceleration Notice), unconditional and unsubordinated obligations of the LLP, which are secured as provided in the Deed of Charge.

Any payment made by the LLP under the Covered Bond Guarantee shall (unless such obligation shall have been discharged as a result of the payment of Excess Proceeds to the Bond Trustee pursuant to Condition 10 (*Events of Default and Enforcement*) discharge *pro tanto* the obligations of the Issuer in respect of such payment under the Covered Bonds and Coupons except where such payment has been declared void, voidable or otherwise recoverable in whole or in part and recovered from the Bond Trustee or the Covered Bondholders.

5. Interest

(a) ***Interest on Fixed Rate Covered Bonds***

Each Fixed Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) its date of issue (the "**Interest Commencement Date**") at the rate(s) per annum equal to the Rate(s) of Interest payable, subject as provided in these Conditions, in arrear on the Interest Payment Date(s) in each year up to (and including) the Final Maturity Date

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to

the fixed coupon amount specified in the Final Terms (the "**Fixed Coupon Amount**"). Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the broken amount specified in the relevant Final Terms (the "**Broken Amount**") so specified.

As used in these Conditions, "**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Covered Bonds where a Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(i) in the case of Fixed Rate Covered Bonds which are represented by a Global Covered Bond, the aggregate outstanding nominal amount of the Fixed Rate Covered Bonds represented by such Global Covered Bond; or

(ii) in the case of Fixed Rate Covered Bonds in definitive form, the Specified Denomination;

and in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 5(a) (*Interest on Fixed Rate Covered Bonds*):

(i) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms:

(A) in the case of Covered Bonds where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Interest Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(B) in the case of Covered Bonds where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Interest Determination Dates that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Interest Determination Dates that would occur in one calendar year; and

(ii) if "**30/360**" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

"**Determination Period**" means each period from (and including) an Interest Determination Date to (but excluding) the next Interest Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not an Interest Determination Date, the period commencing on the first Interest Determination Date prior to, and ending on the first Interest Determination Date falling after, such date).

"**Original Due for Payment Date**" means, in respect of the payment of Guaranteed Amounts, prior to the occurrence of an LLP Event of Default and following the delivery of a Notice to Pay on the LLP, the date on which the Scheduled Payment Date in respect of such Guaranteed Amounts is reached, or, if later, the day which is two Business Days following service of a Notice to Pay on the LLP in respect of such Guaranteed Amounts or if the applicable Final Terms specified that an Extended Due for Payment Date is applicable to the relevant Series of Covered Bonds, the Interest Payment Date that would have applied if the Final Maturity Date of such Series of Covered Bonds had been the Extended Due for Payment Date.

"**Principal Amount Outstanding**" means in respect of a Covered Bond on any day the principal amount of that Covered Bond on the relevant Issue Date thereof less principal amounts received by the relevant Covered Bondholder in respect thereof on or prior to that day.

"**sub-unit**" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, euro 0.01.

(b) ***Interest on Floating Rate Covered Bonds***

(i) *Interest Payment Dates*

Each Floating Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, the expression "**Interest Period**" shall mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 5(b)(i)(B) below, the "**Floating Rate Convention**", such Interest Payment Date: (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis*; or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the "**Following Business Day Convention**", such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the "**Modified Following Business Day Convention**", such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the "**Preceding Business Day Convention**", such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, "**Business Day**" means a day which is:

(A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and

(B) in the case of any sum payable, either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively or (2) in relation to any Covered Bonds denominated or payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer or any successor or replacement for that system ("**T2**") is open.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Covered Bonds will be determined in the manner specified in the applicable Final Terms.

(A) *ISDA Determination for Floating Rate Covered Bonds*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (A), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent (for these purposes as specified in the applicable Final Terms) under an interest rate swap transaction if the Calculation Agent (for these purposes as specified in the applicable Final Terms) were acting as Calculation Agent (as defined below) for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds (the "**ISDA Definitions**") and under which:

(1) the Floating Rate Option is as specified in the applicable Final Terms; and

(2) the Designated Maturity is the period specified in the applicable Final Terms.

For the purposes of this subparagraph (A), "**Floating Rate**", "**Calculation Agent**" (unless stated otherwise in this subparagraph (A)), "**Floating Rate Option**" and "**Designated Maturity**" have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(B) *Screen Rate Determination for Floating Rate Covered Bonds not referencing Compounded Daily SONIA or SARON*

If Relevant Screen Page is available

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, and unless the Reference Rate in respect of the relevant Series of Floating Rate Covered Bonds is specified in the applicable Final Terms as being "Compounded Daily SONIA", the Rate of Interest for each Interest Period will, subject as provided below, be either:

(1) the offered quotation (if there is only one quotation on the Relevant Screen Page); or

(2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being EURIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If Relevant Screen Page not available, no offered quotation or fewer than three offered quotations

If the Relevant Screen Page is not available or if, in the case of (1) above, no offered quotation appears or if, in the case of (2) above, fewer than three offered quotations appear, in each case as at 11.00 a.m. (Brussels time, in the case of EURIBOR), the Principal Paying Agent shall request each of the Reference Banks to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11.00 a.m. (Brussels time, in the case of EURIBOR) on the Interest Determination Date in question.

If two or more of the Reference Banks provide the Principal Paying Agent with offered quotations, the Rate of Interest for the relevant Interest Period shall be the arithmetic mean (rounded if necessary to the eighth decimal place, with 0.000000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent.

If fewer than two Reference Banks provide offered quotations

If fewer than two of the Reference Banks provide the Principal Paying Agent with offered quotations, the Principal Paying Agent shall request at least two of the Reference Banks to provide the Principal Paying Agent with its rates (expressed as a percentage rate per annum) for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Euro-zone interbank market (if the Reference Rate is EURIBOR), at approximately 11.00 a.m. (Brussels time, in the case of EURIBOR) on the Interest Determination Date in question.

If two or more of the Reference Banks provide the Principal Paying Agent with such rates, the Rate of Interest for the relevant Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of such offered rates plus or minus (as appropriate) the Margin (if any).

If fewer than two of the Reference Banks provide the Principal Paying Agent with offered rates, the Rate of Interest for the relevant Interest Period shall be the offered rate or the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately 11.00 a.m. (Brussels time, in the case of EURIBOR) on the relevant Interest Determination Date, any one or more bank (which bank(s) are in the opinion of the Issuer suitable for the purpose) informs the Principal Paying Agent it is quoting to leading banks in the Euro-zone interbank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any).

If Rate of Interest cannot be determined in accordance with the above

If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 5(b)(ii)(B), the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

Minimum Rate of Interest

Unless otherwise stated in the Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(C) *Screen Rate Determination for Floating Rate Covered Bonds referencing Compounded Daily SONIA*

Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined and the Reference Rate in respect of the relevant Series of Floating Rate Covered Bonds is specified in the relevant Final Terms as being "Compounded Daily SONIA", the Rate of Interest for an Interest Accrual Period will, subject as provided below, be Compounded Daily SONIA with respect to such Interest Accrual Period plus or minus (as indicated in the relevant Final Terms) the applicable Margin.

"**Compounded Daily SONIA**" means, with respect to an Interest Accrual Period:

(a) where "Index Determination" is specified as being Not Applicable in the relevant Final Terms, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Accrual Period (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) as calculated by the Principal Paying Agent (or other party responsible for calculating the Rate of Interest as set out in the relevant Final Terms) as at the relevant Interest Determination Date in accordance with the following formula (and the resulting percentage will be rounded if necessary to the nearest fifth decimal place, with 0.000005 being rounded upwards):

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{SONIA_{i-pLBD}\times n_i}{365}\right)-1\right]\times\frac{365}{d};$$

or

(b) where "Index Determination" is specified as Applicable in the relevant Final Terms, the rate calculated by the Principal Paying Agent (or other party responsible for calculating the Rate of Interest as set out in the relevant Final Terms) as at the relevant Interest Determination Date in accordance with the following formula (and the resulting percentage will be rounded if necessary to the nearest fifth decimal place, with 0.000005 being rounded upwards:

$$[Index_{END}/Index_{START}] - 1 \times (365 / d)$$

provided, however, that if the Principal Paying Agent (or other party responsible for calculating the Rate of Interest as set out in the relevant Final Terms) is unable for any reason to determine $Index_{END}$ or $Index_{START}$ in relation to any Interest Accrual Period, then Compounded Daily SONIA shall be calculated for such Interest Accrual Period as if "Index Determination" had been specified as being Not Applicable in the relevant Final Terms (and paragraph (a) of this definition shall be applied accordingly),

where:

"**d**" is (i) where "Lag" or "Lock-Out" is specified in the relevant Final Terms as the Observation Method, the number of calendar days in the relevant Interest Accrual

Period and (ii) where "Shift" is specified in the relevant Final Terms as the Observation Method, the number of calendar days in the relevant Observation Period;

"**d_o**" is (i) where "Lag" or "Lock-Out" is specified in the relevant Final Terms as the Observation Method, the number of London Banking Days in the relevant Interest Accrual Period and (ii) where "Shift" is specified in the relevant Final Terms as the Observation Method, for any Observation Period, the number of London Banking Days in the relevant Observation Period;

"**i**" is a series of whole numbers from one to d_o, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day (i) where "Lag" or "Lock-Out" is specified in the relevant Final Terms as the Observation Method, in the relevant Interest Accrual Period, and (ii) where "Shift" is specified in the relevant Final Terms as the Observation Method, in the relevant Observation Period;

"**$\text{Index}_{\text{End}}$**" means, in relation to any Interest Accrual Period, the Index Value on the day which is "*p*" London Banking Days prior to the Interest Payment Date for such Interest Accrual Period;

"**$\text{Index}_{\text{Start}}$**" means, in relation to any Interest Accrual Period, the Index Value on the day which is "*p*" London Banking Days prior to the first day of such Interest Accrual Period (and in respect of the first Interest Period, the Issue Date);

"**Index Value**" means, where "SONIA" is specified as the Reference Rate in the relevant Final Terms, in relation to any London Banking Day, the value of the SONIA Compounded Index as published by authorised redistributors on the Relevant Screen Page of the immediately following London Banking Day provided, however, that in the event that the value originally published is subsequently corrected and such corrected value is published by authorised re-distributors or the Bank of England, as the administrator of SONIA (or any successor administrator of SONIA)) on the original date of publication, then such corrected value, instead of the value that was originally published, shall be deemed the Index Value in relation to such London Banking Day.

"**London Banking Day**" or "**LBD**" means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

"**Lock-Out Period**" means the period from, and including, the Interest Determination Date to, but excluding, the corresponding Interest Payment Date;

"**n_i**" for any London Banking Day, means the number of calendar days from (and including) such London Banking Day "i" up to (but excluding) the following London Banking Day;

"**Observation Period**" means the period from (and including) the date falling "*p*" London Banking Days prior to the first day of the relevant Interest Accrual Period to (but excluding) the date falling "*p*" London Banking Days prior to the Interest Payment Date for such Interest Accrual Period;

"***p***" means, (i) where "Lag" is specified as the Observation Method in the applicable Final Terms, the number of London Banking Days included in the SONIA Lag Period specified in the applicable Final Terms (or, if no such number is so specified, five London Banking Days) and (ii) where "Shift" or "Lock-out" is specified as the Observation Method in the applicable Final Terms, for any Interest Accrual Period, zero;

"**Reference Day**" means each London Banking Day in the relevant Interest Accrual Period, other than any London Business Day in the Lock-Out Period;

"**SONIA Compounded Index**" means the index known as the "SONIA Compounded Index" administered by the Bank of England (or any successor administrator thereof);

"**$SONIA_i$**" means, (i) where "Shift" is specified in the relevant Final Terms as the Observation Method, and in respect of a London Banking Day "i", the SONIA reference rate in respect of that day, and (ii) where "Lock-Out" is specified in the relevant Final Terms as the Observation Method, (x) in respect of any London Banking Day "i" that is a Reference Day, the SONIA reference rate in respect of such Reference Day, and (y) in respect of any London Business Day "i" that is not a Reference Day (being a London Banking Day in the Lock-Out Period), the SONIA reference rate in respect of the last Reference Day of the relevant Interest Accrual Period (such last Reference Day falling no fewer than five London Banking Days prior to the final day of the relevant Interest Accrual Period);

"**$SONIA_{i-pLBD}$**" means where "Lag" is specified in the relevant Final Terms as the Observation Method, in respect of any London Banking Day falling in the relevant Interest Accrual Period the SONIA reference rate for the London Banking Day falling "*p*" London Banking Days prior to the relevant London Banking Day "i"; and where "Shift" or "Lock-Out" is specified in the relevant Final Terms as the Observation Method, $SONIA_i$; and

the "**SONIA reference rate**", in respect of any London Banking Day ("**LBD**x"), is a reference rate equal to the daily Sterling Overnight Index Average ("**SONIA**") rate for such LBDx as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page (or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors) on the London Banking Day immediately following such LBDx.

SONIA fallback provisions

If, in respect of any London Banking Day in the relevant Observation Period, the applicable SONIA reference rate is not made available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, then (unless the Principal Paying Agent (or other party responsible for calculating the Rate of Interest as set out in the relevant Final Terms) has been notified of any Alternative Base Rate (and any related Base Rate Modifications) pursuant to Condition 15(b)(iii), if applicable) the SONIA reference rate in respect of such London Banking Day shall be: (i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at 5.00 p.m. (or, if earlier, close of business) on such London Banking Day; plus (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five London Banking Days on which a SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads).

Notwithstanding the paragraph above, in the event the Bank of England publishes guidance as to (i) how the SONIA reference rate is to be determined or (ii) any rate that is to replace the SONIA reference rate, the Principal Paying Agent (or such other party responsible for the calculating the Rate of Interest as set out in the relevant Final Terms) shall, subject to receiving written instructions from the Issuer and to the extent that it is reasonably practicable, follow such guidance in order to determine $SONIA_i$ for the purpose of the relevant Series of Covered Bonds for so long as the SONIA reference rate is not available or has not been published by the authorised distributors.

(D) *Screen Rate Determination for Floating Rate Covered Bonds referencing SARON*

Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined and the Reference Rate in respect of the relevant Series of Floating Rate Covered Bonds is specified in the relevant Final Terms as being "SARON", the Rate of Interest for an Interest Period

will, subject as provided below, be SARON Compounded with respect to such Interest Period plus or minus (as indicated in the relevant Final Terms) the applicable Margin.

"**SARON Compounded**" means, in respect of an Interest Period, the rate of return of a daily compound interest investment in Swiss Franc (with the daily Swiss Overnight Average Rate Overnight (SARON) as reference rate for the calculation of interest) as calculated by the Principal Paying Agent (or such other party responsible for calculating the Rate of Interest as set out in the relevant Final Terms) as at the relevant Interest Determination Date in accordance with the following formula (and the resulting percentage will be rounded if necessary to the nearest fifth decimal place, with 0.000005 being rounded upwards):

$$\left[\prod_{i=1}^{d_b}\left(1+\frac{SARON_i \times n_i}{360}\right)-1\right]\times\frac{360}{d_c}$$

where:

"d_b" means the number of Zurich Banking Days in the relevant SARON Observation Period;

"d_c" means the number of calendar days in the relevant SARON Observation Period;

"i" is a series of whole numbers from one to d_b, representing the Zurich Banking Days in the relevant SARON Observation Period in chronological order from, and including, the first Zurich Banking Day in such SARON Observation Period;

"n_i" means, in respect of any Zurich Banking Day "*i*", the number of calendar days from, and including, the Zurich Banking Day "*i*" up to, but excluding, the first following Zurich Banking Day;

"p" means the number of Zurich Banking Days specified to be the SARON Observation Look-Back Period in the relevant Final Terms (which shall not be less than five Zurich Banking Days);

"**SARON$_i$**" means, in respect of any Zurich Banking Day "i", SARON for such Zurich Banking Day "i";

"**SARON**" means, in respect of any Zurich Banking Day, a reference rate equal to the Swiss Average Rate Overnight for such Zurich Banking Day published by the SARON Administrator on the SARON Administrator Website at the Relevant Time on such Zurich Banking Day; and

"**SARON Observation Period**" means the period from, and including, the date falling "p" Zurich Banking Days prior to the first day of the relevant Interest Period and ending on, but excluding, the date falling "p" Zurich Banking Days prior to (A) the Interest Payment Date for such Interest Period or (B) such earlier date on which such Covered Bonds become due and payable;

"**SARON Observation Look-Back Period**" is as specified in the relevant Final Terms;

"**Zurich Banking Day**" means a day on which banks are open in the City of Zurich for the settlement of payments and of foreign exchange transactions.

For the purposes of the Final Terms:

"**Relevant Time**" means, in respect of any Zurich Banking Day, close of trading on SIX Swiss Exchange on such Zurich Banking Day, which is expected to be on or around 6.00 p.m. (Zurich time);

"**SARON Administrator**" means SIX Index AG or any successor administrator of SARON;

"**SARON Administrator Website**" means the website of the SARON Administrator; and

"**SIX Swiss Exchange**" means SIX Swiss Exchange AG and any successor thereto.

SARON fallback provisions

If SARON does not so appear on the SARON Administrator Website or is not so published by the Relevant Time on such Zurich Banking Day and a SARON Benchmark Transition Event and a SARON Benchmark Replacement Date have not both occurred at or prior to the Relevant Time on such Zurich Banking Day, SARON shall be the Swiss Average Rate Overnight published by the SARON Administrator on the SARON Administrator Website on the last preceding Zurich Banking Day on which the Swiss Average Rate Overnight was published by the SARON Administrator on the SARON Administrator Website.

"**Independent Adviser**" means an investment bank or financial institution experienced in the debt capital markets determined to be appropriate by the Issuer and appointed by the Issuer at its own expense.

"**SARON Benchmark**" means, initially, SARON Compounded, as such term is defined above; provided that if the Issuer or the Independent Adviser determines on or prior to the Relevant Time that a SARON Benchmark Transition Event and its related SARON Benchmark Replacement Date have occurred with respect to SARON (or the published daily SARON used in the calculation thereof) or the then current SARON Benchmark, then "SARON Benchmark" means the applicable SARON Benchmark Replacement.

"**SARON Benchmark Replacement Date**" means in respect of the then current SARON Benchmark (including any daily published component or reference rate used in the calculation thereof) and a SARON Benchmark Transition Event, the earlier of:

(1) in the case of a SARON Benchmark Transition Event described in paragraph (A) of the definition thereof) the date on which the SARON Administrator of the Swiss Average Rate Overnight ceases to provide SARON;

(2) in the case of a SARON Benchmark Transition Event described in sub-paragraph (B)(x) of the definition thereof) the latest of:

(A) the date of such statement or publication;

(B) the date, if any, specified in such statement or publication as the date on which SARON will no longer be representative; and

(C) if a SARON Benchmark Transition Event described in sub-paragraph (B)(y) of the definition of SARON Benchmark Transition Event has occurred on or prior to either or both dates specified in sub-clauses (A) and (B) of this paragraph (2), the date as of which SARON may no longer be used; and

(3) in the case of a SARON Benchmark Transition Event described in sub-paragraph (B)(y) of the definition thereof) the date as of which SARON may no longer be used.

"**SARON Benchmark Transition Event**" means the occurrence of one or more of the following events with respect to the then current SARON Benchmark (including the daily published component used in the calculation thereof, in each case, as applicable):

(A) a public statement or publication of information by or on behalf of the administrator of the SARON Benchmark (or such component) announcing or confirming that such administrator has ceased or will cease to provide the

Swiss Average Rate Overnight (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Swiss Average Rate Overnight (or such component); or

(B) a public statement or publication of information by the administrator of the SARON Benchmark or any competent authority announcing that (x) the Swiss Average Rate Overnight is no longer representative or will as of a certain date no longer be representative, or (y) the Swiss Average Rate Overnight may no longer be used after a certain date, which statement, in the case of sub-paragraph (y), is applicable to (but not necessarily limited to) fixed income securities and derivatives.

Further fallback provisions (in respect of EURIBOR, SONIA and SARON)

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions of Condition 5(b)(ii)(B), 5(b)(ii)(C) or 5(b)(ii)(D) above, as applicable, the Rate of Interest shall be:

(1) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin, Maximum Rate of Interest and/or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as the case may be) relating to the relevant Interest Accrual Period, in place of the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as applicable) relating to that last preceding Interest Accrual Period); or

(2) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Covered Bonds for the first scheduled Interest Accrual Period had the Covered Bonds been in issue for a period equal in duration to the first scheduled Interest Accrual Period but ending on (and excluding) the Interest Commencement Date (applying the Margin and, if applicable, any Maximum Rate of Interest and/or Minimum Rate of Interest, applicable to the first scheduled Interest Accrual Period).

As used herein, an "**Interest Accrual Period**" means (i) each Interest Period and (ii) any other period (if any) in respect of which interest is to be calculated, being the period from (and including) the first day of such period to (but excluding) the day on which the relevant payment of interest falls due (which, if the relevant Series of Covered Bonds becomes due and payable following an Issuer Event of Default or an LLP Event of Default, shall be the date on which such Covered Bonds become due and payable).

If the relevant Series of Covered Bonds becomes due and payable following an Issuer Event of Default and a subsequent LLP Event of Default, the final Rate of Interest shall be calculated for the Interest Accrual Period to (but excluding) the date on which the Covered Bonds become so due and payable, and such Rate of Interest shall continue to apply to the Covered Bonds for so long as interest continues to accrue thereon as provided in Condition 5(d) and the Trust Deed.

(iii) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and calculation of Interest Amounts*

The Principal Paying Agent, in the case of Floating Rate Covered Bonds will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent (or other party responsible for calculating the Rate of Interest as set out in the relevant Final Terms) will calculate the amount of interest payable on the Floating Rate Covered Bonds in respect of each Specified Denomination (each an "**Interest Amount**") for the relevant Interest Period or Interest Accrual Period, as applicable. Each Interest Amount shall be calculated by applying the Rate of Interest to the Principal Amount Outstanding, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest for any Interest Period:

(A) if "**Actual/Actual**" or "**Actual/Actual (ISDA)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(B) if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(C) if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(D) if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(E) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(F) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2-Y1)] + [30 \times (M2-M1)] + (D2-D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30;

"D2" is the last calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(G) if "**30E/360 (ISDA)**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2-Y1)] + [30 \times (M2-M1)] + (D2-D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30;

"D2" is the calendar day, expressed as a number, immediately following the last day of the Interest Period, unless (i) that day is the last day of February but not the Final Maturity Date (or, as the case may be, the Extended Due for Payment Date) or (ii) such number would be 31, in which case D2 will be 30.

(v) *Notification of Rate of Interest and Interest Amounts*

Except where the Reference Rate in respect of the relevant Series of Covered Bonds is specified in the relevant Final Terms as being "Compounded Daily SONIA" or "SARON", the Principal Paying Agent (or other party responsible for calculating the Rate of Interest as set out in the relevant Final Terms) will cause the Rate of Interest and each Interest Amount for each Interest

Period and the relevant Interest Payment Date to be notified to the Bond Trustee and to any stock exchange or other relevant competent authority or quotation system on which the relevant Floating Rate Covered Bonds are for the time being listed, quoted and/or traded or by which they have been admitted to listing and to be published in accordance with Condition 14 (*Notices*) as soon as possible after their determination but in no event later than the fourth Business Day (as defined in Condition 5(b)(i)) thereafter by the Principal Paying Agent (or such other party as aforementioned). Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will be promptly notified to the Bond Trustee and each stock exchange or other relevant authority on which the relevant Floating Rate Covered Bonds are for the time being listed or by which they have been admitted to listing and to the Covered Bondholders in accordance with Condition 14 (*Notices*).

Where the Reference Rate in respect of the relevant Series of Floating Rate Covered Bonds is specified in the relevant Final Terms as being "Compounded Daily SONIA" or "SARON", the Principal Paying Agent (or other party responsible for calculating the Rate of Interest as set out in the relevant Final Terms) will cause the Rate of Interest and each Interest Amount for each Interest Accrual Period and the relevant Interest Payment Date to be notified to the Bond Trustee and to any stock exchange or other relevant competent authority or quotation system on which the relevant Floating Rate Covered Bonds are for the time being listed, quoted and/or traded or by which they have been admitted to listing and to be published in accordance with Condition 14 (*Notices*) as soon as possible after their determination but in no event later than the second Business Day thereafter. Each Rate of Interest, Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the relevant Interest Accrual Period. Any such amendment or alternative arrangements will promptly be notified to the Bond Trustee and each stock exchange or other relevant authority on which the relevant Floating Rate Covered Bonds are for the time being listed or by which they have been admitted to listing and to the Covered Bondholders in accordance with Condition 14 (*Notices*).

(vi) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(b), whether by the Principal Paying Agent or the Bond Trustee shall (in the absence of wilful default, negligence or fraud) be binding on the Issuer, the LLP, the Principal Paying Agent, the other Paying Agents, the Bond Trustee and all the Covered Bondholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the LLP, the Covered Bondholders or the Couponholders shall attach to the Principal Paying Agent or the Bond Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) ***Fixed/Floating Rate Covered Bonds***

(i) *Application*: This Condition 5 (*Interest*) is applicable to the Covered Bonds only if the Fixed Rate Covered Bond Provisions and the Floating Rate Covered Bond Provisions are specified in the relevant Final Terms as being applicable.

(ii) *Fixed/Floating Rate*: The Issuer may issue Covered Bonds (i) that the Issuer may elect to convert on the date set out in the relevant Final Terms from a Fixed Rate Covered Bond to a Floating Rate Covered Bond, or from a Floating Rate Covered Bond to a Fixed Rate Covered Bond or (ii) that will automatically change from a Fixed Rate Covered Bond to a Floating Rate Covered Bond, or from a Floating Rate Covered Bond to a Fixed Rate Covered Bond on the date set out in the relevant Final Terms.

(d) ***Accrual of interest***

Interest (if any) will cease to accrue on each Covered Bond (or in the case of the redemption of part only of a Covered Bond, that part only of such Covered Bond) on the due date for redemption thereof unless,

upon due presentation thereof, payment of principal is improperly withheld or refused in which event, interest will continue to accrue as provided in the Trust Deed.

6. Payments

(a) ***Method of payment***

Subject as provided below:

(i) payments in a Specified Currency other than euro will be made by credit or electronic transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(ii) payments in euro will be made by credit or electronic transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

In the case of Bearer Covered Bonds, payments in U.S. dollars will be made by transfer to a U.S. Dollar account maintained by the payee with a bank outside of the United States (which expression, as used in this Condition 6 (*Payments*), means the United States of America, including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction), or by cheque drawn on a United States bank. In no event will payment in respect of Bearer Covered Bonds be made by a cheque mailed to an address in the United States. All payments of interest in respect of Bearer Covered Bonds will be made to accounts located outside the United States except as may be permitted by United States tax law in effect at the time of such payment without detriment to the Issuer.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in any jurisdiction but without prejudice to the provisions of Condition 8 (*Taxation*), and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto. References to Specified Currency will include any successor currency under applicable law. Any such amounts withheld or deducted will be treated as paid for all purposes under the Covered Bonds, and no additional amounts will be paid on the Covered Bonds with respect to any such withholding or deduction.

(b) ***Presentation of Bearer Definitive Covered Bonds and Coupons***

Payments of principal and interest (if any) will (subject as provided below) be made against presentation and surrender of Bearer Definitive Covered Bonds or Coupons, as the case may be, at any specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Fixed Rate Covered Bonds in definitive bearer form (other than any Long Maturity Covered Bonds) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall include Coupons falling to be issued on exchange of matured Talons), failing which an amount equal to the face value of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 12 years after the Relevant Date (as defined in Condition 8 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9 (*Prescription*)) or, if later, six years from the date on which such Coupon would otherwise have become due.

Upon amounts in respect of any Fixed Rate Covered Bond in definitive bearer form becoming due and repayable by the Issuer (in the absence of a Notice to Pay) or LLP under the Covered Bond Guarantee

prior to its Final Maturity Date (or, as the case may be, Extended Due for Payment Date), all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the due date for redemption of any Floating Rate Covered Bond or Long Maturity Covered Bond in definitive bearer form, all unmatured Coupons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Covered Bond**" is a Fixed Rate Covered Bond (other than a Fixed Rate Covered Bond which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Covered Bond shall cease to be a Long Maturity Covered Bond on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the Principal Amount Outstanding of such Covered Bond. If the date for redemption of any Bearer Definitive Covered Bond is not an Interest Payment Date, interest (if any) accrued in respect of such Covered Bond from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Bearer Definitive Covered Bond.

(c) ***Payments in respect of Bearer Global Covered Bonds***

Payments of principal and interest (if any) in respect of Covered Bonds represented by any Bearer Global Covered Bond will (subject as provided below) be made in the manner specified above in relation to Bearer Definitive Covered Bonds and otherwise in the manner specified in the relevant Global Covered Bond (against presentation or surrender, as the case may be, of such Global Covered Bond if the Bearer Global Covered Bond is not intended to be issued in NGCB form at the specified office of any Paying Agent outside the United States). On the occasion of each payment, (i) in the case of any Bearer Global Covered Bond which is not issued in NGCB form, a record of such payment made on such Bearer Global Covered Bond, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Covered Bond by the Paying Agent and such record shall be *prima facie* evidence that the payment in question has been made and (ii) in the case of any Global Covered Bond which is issued in NGCB form, the Paying Agent shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

(d) ***Payments in respect of Registered Covered Bonds***

Payments of principal in respect of each Registered Covered Bond (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Covered Bond at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by electronic transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the register of holders of the Registered Covered Bonds maintained by the Registrar (the "**Register**") at the close of business on the third Business Day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a "**Designated Account**" or (ii) the principal amount of the Covered Bonds held by a holder is less than U.S.$200,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a "**Designated Bank**" and identified as such in the Register and Designated Bank means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest in respect of each Registered Covered Bond (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the Business Day in the city where the specified office of the Registrar is located on the relevant due date to the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the Register at the close of business on the Business Day before the relevant due date (the "**Record Date**") at the holder's address shown in the Register on the Record Date and at the holder's risk. Upon application of the holder to the specified office of the Registrar not less than three Business Days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect

of a Registered Covered Bond, the payment may be made by electronic transfer on the due date in the manner provided in the preceding paragraph. Any such application for electronic transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Covered Bonds which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Covered Bond on redemption will be made in the same manner as payment of the principal in respect of such Registered Covered Bond.

Holders of Registered Covered Bonds will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Covered Bond as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Covered Bonds.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Covered Bond in respect of Covered Bonds denominated in a Specified Currency other than U.S. dollars shall be paid by electronic transfer by the Registrar to an account in the relevant Specified Currency on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer, the LLP, the Bond Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) ***General provisions applicable to payments***

The holder of a Global Covered Bond (or, as provided in the Trust Deed, the Bond Trustee) shall be the only person entitled to receive payments in respect of Covered Bonds represented by such Global Covered Bond and the Issuer or, as the case may be, the LLP will be discharged by payment to, or to the order of, the holder of such Global Covered Bond (or the Bond Trustee, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Covered Bonds represented by such Global Covered Bond must look solely to DTC, Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or the LLP to, or to the order of, the holder of such Global Covered Bond (or the Bond Trustee, as the case may be). No person other than the holder of the relevant Global Covered Bond (or, as provided in the Trust Deed, the Bond Trustee) shall have any claim against the Issuer or the LLP in respect of any payments due on that Global Covered Bond.

Notwithstanding the foregoing provisions of this Condition, payments of principal and/or interest in U.S. dollars in respect of the Bearer Covered Bonds will only be made at the specified office of a Paying Agent in the United States if:

(i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of interest on the Bearer Covered Bonds in the manner provided above when due;

(ii) payment of the full amount of such principal and interest at such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the LLP, adverse tax consequences to the Issuer or the LLP.

(f) ***Payment Day***

If the date for payment of any amount in respect of any Covered Bond or Coupon is not a Payment Day (as defined below), the holder thereof shall not be entitled to payment of the relevant amount due until the next following Payment Day and shall not be entitled to any interest or other sum in respect of any such delay. In this Condition (unless otherwise specified in the applicable Final Terms), "**Payment Day**" means any day which (subject to Condition 9 (*Prescription*)) is:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(A) the relevant place of presentation;

(B) London; and

(C) any Additional Financial Centre specified in the applicable Final Terms; and

(ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which T2 is open; and

(iii) in the case of any payment in respect of a Registered Global Covered Bond denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Covered Bond) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

(g) ***Interpretation of principal and interest***

Any reference in these Conditions to principal in respect of the Covered Bonds shall be deemed to include, as applicable:

(i) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertakings or covenants given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;

(ii) the Final Redemption Amount of the Covered Bonds;

(iii) the Early Redemption Amount of the Covered Bonds;

(iv) the Optional Redemption Amount(s) (if any) of the Covered Bonds;

(v) in relation to Zero Coupon Covered Bonds, the Amortised Face Amount (as defined in Condition 7(e)(iii));

(vi) any premium and any other amounts (other than interest) which may be payable under or in respect of the Covered Bonds; and

(vii) any Excess Proceeds which may be payable by the Bond Trustee under or in respect of the Covered Bonds.

Any reference in these Conditions to interest in respect of the Covered Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertakings given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

(h) ***Definitions***

In these Conditions, the following expressions have the following meanings:

"**Calculation Amount**" has the meaning given in the applicable Final Terms.

"**Established Rate**" means the rate for the conversion of the relevant Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty.

"**euro**" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of Fixed Rate Covered Bonds and Floating Rate Covered Bonds, as determined in, or as determined in the manner specified in, the applicable Final Terms.

"**Treaty**" means the Treaty establishing the European Community, as amended.

7. Redemption and Purchase

(a) ***Final redemption***

Unless previously redeemed or purchased and cancelled as specified below, each Covered Bond will be redeemed by the Issuer at its Final Redemption Amount in the relevant Specified Currency on the Final Maturity Date specified in the applicable Final Terms.

Without prejudice to Condition 10, if:

(i) an Extended Due for Payment Date is specified as applicable in the Final Terms for a Series of Covered Bonds; and

(ii) the Issuer has failed to pay the Final Redemption Amount on the Final Maturity Date specified in the Final Terms (or after expiry of the grace period set out in Condition 10(a)(ii)(2)(A)); and

(iii) following the service of a Notice to Pay on the LLP by no later than the date falling one Business Day prior to the Extension Determination Date, the LLP has insufficient monies available to apply under the Guarantee Priority of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series of Covered Bonds on the Extension Determination Date,

then (subject as provided below) payment of the unpaid amount by the LLP under the Covered Bond Guarantee shall be deferred until the Extended Due for Payment Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on Extension Determination Date may be paid by the LLP on any Interest Payment Date thereafter up to (and including) the relevant Extended Due for Payment Date.

The Issuer shall give the Principal Paying Agent not less than four Business Days' notice prior to the Final Maturity Date whether (a) payment will be made of the Final Redemption Amount of the applicable Series of Covered Bonds in full on its (i) Final Maturity Date or (ii) Extension Determination Date or (b) the obligation to pay the Final Redemption Amount of the applicable Series of Covered Bonds on its Final Maturity Date shall be deferred until the Extended Due for Payment Date. Any failure by the Issuer to notify the Principal Paying Agent shall not affect the validity or effectiveness of the extension.

Provided that the relevant notice has been received from the Issuer (in accordance with the paragraph above), the Principal Paying Agent shall notify the Clearing Systems not less than three Business Days' notice prior to the Final Maturity Date whether (a) payment will be made of the Final Redemption Amount of the applicable Series of Covered Bonds in full on its (i) Final Maturity Date or (ii) Extension Determination Date or (b) the obligation to pay the Final Redemption Amount of the applicable Series of Covered Bonds on its Final Maturity Date shall be deferred until the Extended Due for Payment Date. Any failure by the Principal Paying Agent to notify the Clearing Systems shall not affect the validity or effectiveness of the extension.

The LLP shall notify the relevant Covered Bondholders (in accordance with Condition 14), each Rating Agency, the Bond Trustee, the Security Trustee, the Principal Paying Agent and the Registrar (in the case of Registered Covered Bonds) as soon as reasonably practicable and in any event at least one Business Day prior to the Extension Determination Date of any inability of the LLP to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of a Series of Covered Bonds pursuant to the Covered Bond Guarantee. Any failure by the LLP to notify such parties shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party. In the circumstances outlined above, the LLP shall on the earlier of (a) the date falling two Business Days after the service of a Notice to Pay or if later the Final Maturity Date (or, in each case, after the expiry of the

grace period set out in Condition 10(b)(ii)(B)(1)) and (b) the Extension Determination Date, under the Covered Bond Guarantee, apply the monies (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the Guarantee Priority of Payments) *pro rata* in part payment of an amount equal to the Final Redemption Amount of each Covered Bond of the relevant Series of Covered Bonds and shall pay Guaranteed Amounts constituting the Scheduled Interest in respect of each such Covered Bond on such date. The obligation of the LLP to pay any amounts in respect of the balance of the Final Redemption Amount not so paid shall be deferred as described above. Such failure to pay by the LLP shall not constitute an LLP Event of Default.

Any discharge of the obligations of the Issuer as the result of the payment of Excess Proceeds to the Bond Trustee shall be disregarded for the purposes of determining the amounts to be paid by the LLP under the Covered Bond Guarantee in connection with this Condition 7(a).

For the purposes of these Conditions:

"**Extended Due for Payment Date**" means, in relation to any Series of Covered Bonds, the date, if any, specified as such in the applicable Final Terms to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Final Maturity Date will be deferred in the event that the Final Redemption Amount is not paid in full on the Extension Determination Date.

"**Extension Determination Date**" means, in respect of a Series of Covered Bonds, the date falling two Business Days after the expiry of seven days following (and including) the Final Maturity Date of such Series of Covered Bonds.

"**Guarantee Priority of Payments**" means the priority of payments relating to monies standing to the credit of the LLP Accounts to be paid on each LLP Payment Date in accordance with the Trust Deed.

"**Rating Agency**" means Moody's Investors Service Limited and/or Fitch Ratings Ltd. and/or any other credit rating agency that may be appointed by the Issuer from time to time (collectively, the "**Rating Agencies**") or their successors, to the extent they provide ratings in respect of the Covered Bonds, provided at all times, there is at least one rating agency rating the Programme and any Covered Bonds then outstanding.

(b) ***Redemption for taxation reasons***

The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time (if the Covered Bond is not a Floating Rate Covered Bond) or on any Interest Payment Date (if the Covered Bond is a Floating Rate Covered Bond), on giving not less than 15 nor more than 30 days' notice to the Bond Trustee and, in accordance with Condition 14, the Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Bond Trustee (by providing it with an officer's certificate signed by an authorised signatory of the Issuer) immediately before the giving of such notice that on the occasion of the next date for payment of interest, as a result of any change or proposed change in or amendment or proposed amendment to the laws or regulations of the United Kingdom or any authority or political subdivision therein or thereof having power to tax, including any treaty to which such jurisdiction is a party, or any change in the official application of those laws or regulations (including a holding by a court or tribunal of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Covered Bonds, the Issuer is or will be required to pay additional amounts as provided in Condition 8. Covered Bonds redeemed pursuant to this Condition 7(b) will be redeemed at their Early Redemption Amount referred to in Condition 7(e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) ***Redemption at the option of the Issuer (Issuer Call)***

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given not less than 15 nor more than 30 days' notice to the Bond Trustee, the Principal Paying Agent, (in the case of the redemption of Registered Covered Bonds) the Registrar and, in accordance with Condition 14, the Covered Bondholders (which notice shall be irrevocable) redeem all or some only (as specified in the applicable Final Terms) of the Covered Bonds then outstanding on any Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date(s). Upon expiry of such notice, the Issuer shall be bound to redeem the Covered Bonds accordingly.

In the event of a redemption of some only of the Covered Bonds:

(i) such redemption must be for an amount being the Minimum Redemption Amount or a Higher Redemption Amount.

(ii) the Covered Bonds to be redeemed (the "**Redeemed Covered Bonds**") will be selected:

(A) individually by lot, in the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, and

(B) in accordance with the rules of DTC, Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of DTC, Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Covered Bonds represented by a Global Covered Bond,

in each case, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**").

In the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, a list of the serial numbers of such Redeemed Covered Bonds will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Covered Bonds represented by Definitive Covered Bonds shall bear the same proportion to the aggregate nominal amount of all Redeemed Covered Bonds as the aggregate nominal amount of Definitive Covered Bonds outstanding bears to the aggregate nominal amount of the Covered Bonds outstanding, in each case on the Selection Dates, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Covered Bonds represented by a Global Covered Bond shall be equal to the balance of the Redeemed Covered Bonds. No exchange of the relevant Global Covered Bond will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7(c) and notice to that effect shall be given by the Issuer to the Covered Bondholders in accordance with Condition 14 at least five days prior to the Selection Date.

(d) ***Redemption due to illegality***

The Covered Bonds of all Series may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 15 nor more than 30 days' notice to the Bond Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 14, all the Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Bond Trustee (by providing it with an officer's certificate signed by an authorised signatory of the Issuer) immediately before the giving of such notice that it has, or will, before the next Interest Payment Date of any Covered Bond of any Series, become unlawful for the Issuer to make, fund or allow to remain outstanding any Term Advance made by it to the LLP from the Covered Bonds pursuant to the Intercompany Loan Agreement, as a result of any change in, or amendment to, the applicable laws or regulations or any change in the application or official interpretation of such laws or regulations, which change or amendment has become or will become effective before the next such Interest Payment Date.

Covered Bonds redeemed pursuant to this Condition 7(d) will be redeemed at their Early Redemption Amount referred to in Condition 7(e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(e) ***Early Redemption Amounts***

For the purpose of Conditions 7(b) above and 7(h) below and Condition 10, each Covered Bond will be redeemed at its Early Redemption Amount calculated as follows:

(i) in the case of a Covered Bond with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(ii) in the case of a Covered Bond (other than a Zero Coupon Covered Bond) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Covered Bond is denominated, at the

amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or

(iii) in the case of a Zero Coupon Covered Bond, at an amount (the "**Amortised Face Amount**") equal to the sum of:

(A) the Reference Price; and

(B) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date of the first Tranche of the Covered Bonds to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Covered Bond becomes due and repayable,

or such other amount as is provided in the applicable Final Terms.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made (i) in the case of a Zero Coupon Covered Bond payable in a Specified Currency other than euro, on the basis of a 360-day year consisting of 12 months of 30 days each or (ii) in the case of a Zero Coupon Covered Bond payable in euro, on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed falls in a leap year, the sum of (x) the number of those days falling in a leap year divided by 366 and (y) the number of those days falling in a non-leap year divided by 365) or (iii) on such other calculation basis as may be specified in the applicable Final Terms.

(f) ***Purchases***

The Issuer or any of its subsidiaries or the LLP may at any time purchase or otherwise acquire Covered Bonds (provided that, in the case of Bearer Definitive Covered Bonds, all unmatured Coupons appertaining thereto are attached thereto or surrendered therewith) at any price and in any manner. If purchases are made by tender, tenders must be available to all the Covered Bondholders alike. Such Covered Bonds may be held, reissued, resold or, at the option of the Issuer or the relevant subsidiary, surrendered to any Paying Agent and/or the Registrar for cancellation (except that any Covered Bonds purchased or otherwise acquired by the LLP must immediately be surrendered to any Paying Agent and/or the Registrar for cancellation).

(g) ***Cancellation***

All Covered Bonds which are redeemed will forthwith be cancelled (together with, in the case of Bearer Definitive Covered Bonds, all unmatured Coupons attached thereto or surrendered therewith at the time of redemption). All Covered Bonds so cancelled and any Covered Bonds purchased and surrendered for cancellation pursuant to Condition 7(f) above and cancelled (together with, in the case of Bearer Definitive Covered Bonds, all unmatured Coupons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be held, reissued or resold.

(h) ***Late payment on Zero Coupon Covered Bonds***

If the amount payable in respect of any Zero Coupon Covered Bond upon redemption of such Zero Coupon Covered Bond pursuant to Conditions 7(a), (b) or (c) above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Covered Bond shall be the amount calculated as provided in Condition 7(e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Covered Bond becomes due and payable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Covered Bond have been paid; and

(ii) the date on which the full amount of the monies payable in respect of such Zero Coupon Covered Bonds has been received by the Principal Paying Agent or the Bond Trustee or the Registrar and notice to that effect has been given to the Covered Bondholders either in accordance with Condition 14 or individually.

(i) ***Certification on redemption under Condition 7(b) and 7(d)***

Prior to the publication of any notice of redemption pursuant to Conditions 7(b) and 7(d), the Issuer shall deliver to the Bond Trustee a certificate signed by two Authorised Signatories (as defined in the Master Definitions and Construction Schedule) of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the Bond Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on all holders of the Covered Bonds and Couponholders.

8. Taxation

(a) ***Gross-up***

All payments of principal and interest (if any) in respect of the Covered Bonds and Coupons by or on behalf of the Issuer or the LLP, as the case may be, will be made free and clear of, and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political sub-division thereof or by any authority therein or thereof having power to tax unless such withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Covered Bondholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Covered Bond or Coupon:

(a) held by or on behalf of a Covered Bondholder or Couponholder that is liable to such taxes, duties, assessments or governmental charges in respect of such Covered Bond or Coupon by reason of its having some connection with the United Kingdom other than the mere holding of the Covered Bond or Coupon; or

(b) where the relevant Covered Bond or Coupon is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of such Covered Bond or Coupon would have been entitled to such additional amounts on presenting or surrendering such Covered Bond or Coupon for payment on the last day of such period of 30 days; or

(c) where the Covered Bondholder or Couponholder is able to avoid such withholding or deduction by complying, or procuring that a third party complies with, any applicable statutory requirements or by making, or procuring that any third party makes, a declaration of non-residence or other similar claim for exemption to any tax authority.

Any amounts to be paid by the Issuer or the LLP on the Covered Bonds will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, any intergovernmental agreement, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (or any law implementing such an intergovernmental agreement) (a "**FATCA Withholding**"), and neither the Issuer nor the LLP will be required to pay any additional amounts on account of any FATCA Withholding.

Should any payments made by the LLP under the Covered Bond Guarantee be made subject to any withholding or deduction for or on account of taxes or duties of whatever nature imposed or levied by or on account of the United Kingdom or any political sub-division thereof or by any authority therein or thereof having power to tax, the LLP will not be obliged to pay any additional amounts as a consequence.

As used herein:

"**Relevant Date**" means the date on which such payment in respect of the Covered Bond or Coupon first becomes due and payable, except that, if the full amount of the monies payable on such date has not been duly received by the Bond Trustee, the Registrar or the Principal Paying Agent on or prior to such date, it means the date on which such monies have been so received, notice to that effect having been given to the Covered Bondholders in accordance with Condition 14.

(b) ***Taxing jurisdiction***

If the Issuer and/or the LLP becomes subject at any time to any taxing jurisdiction other than, or in addition to, the United Kingdom (or any political sub-division thereof), references in these Conditions to the United Kingdom shall be construed as references to such other jurisdiction.

9. Prescription

The Covered Bonds (whether in bearer or registered form) and Coupons will become void unless presented for payment within 12 years (in the case of principal) and six years (in the case of interest) in each case from the Relevant Date (as defined in Condition 8) therefor, subject in each case to the provisions of Condition 6.

There shall not be included in any Coupon sheet issued on exchange of a Talon, any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6 or any Talon which would be void pursuant to Condition 6.

10. Events of Default and Enforcement

(a) ***Issuer Events of Default***

The Bond Trustee:

(i) may, at its discretion; and

(ii) shall, if:

(1) so requested in writing by the holders of at least 25 per cent. of the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds (which for this purpose or the purpose of any Extraordinary Resolution referred to in this Condition 10(a) means the Covered Bonds of this Series together with the Covered Bonds of any other Series constituted by the Trust Deed) then outstanding as if they were a single Series (with the nominal amount of Covered Bonds not denominated in Sterling converted into Sterling at the relevant Covered Bond Swap Rate); or

(2) so directed by an Extraordinary Resolution of all the Covered Bondholders,

give notice (an "**Issuer Acceleration Notice**") in writing to the Issuer (but in the case of the happening of any of the events mentioned in subparagraph (B) below, only if the Bond Trustee shall have certified in writing that such event is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series, provided that a breach of any obligation to provide notices, reports or other information to the FCA under the RCB Regulations and/or the RCB Sourcebook shall not be considered materially prejudicial to the interests of the Covered Bondholders by the Bond Trustee) (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction) that as against the Issuer (but not, for the avoidance of doubt, against the LLP under the Covered Bond Guarantee) each Covered Bond of each Series is, and each such Covered Bond shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an "**Issuer Event of Default**") shall occur and be continuing:

(A) *Non-payment:* any principal or interest in respect of the Covered Bonds has not been paid within 7 days (in the case of principal) and within 14 days (in the case of interest) from the due date for payment provided that the Issuer shall not, however, be in default if it satisfies the Bond Trustee during the 7 or 14 day period (as applicable) that such sums were not paid in order to comply with any law, regulation or order of any court of competent jurisdiction. Where there is doubt as to the validity or applicability of any such law, regulation or order, the Issuer will not be in default if it acts on the advice given to it during such period by independent legal advisers approved by the Bond Trustee; or

(B) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Covered Bonds or Coupons of

any Series or the Trust Deed (but excluding any obligation of the Issuer to comply with the Asset Coverage Test or any representation or warranty given by the Issuer in respect of the Asset Coverage Test) and that breach has not been remedied within 30 days (or such longer period as the Bond Trustee may permit) of receipt of a written notice from the Bond Trustee certifying that in its opinion the breach is materially prejudicial to the interests of the holders of such Covered Bonds or Coupons and requiring the same to be remedied; or

(C) *Winding-up etc.*: a Winding-up Event occurs; or

(D) *Asset Coverage Test Breach Notice*: if an Asset Coverage Test Breach Notice has been served and not revoked (in accordance with the terms of the Transaction Documents) on or before the third Calculation Date after service of such Asset Coverage Test Breach Notice.

In these Conditions, a "**Winding-up Event**" means, in respect to the Issuer: (i) a court of competent jurisdiction in England makes an order for its winding-up which is not successfully appealed within 30 days of the making of such order, (ii) the Issuer's shareholders adopt an effective resolution for its winding-up (other than, in the case of either (i) or (ii) above, in connection with a substitution, consolidation, merger, amalgamation or transfer pursuant to Condition 15(c) (*Substitution of the Issuer*) or otherwise under or in connection with a scheme of reconstruction, merger or amalgamation not involving a bankruptcy or insolvency) or (iii) following the appointment of an administrator of the Issuer, the administrator gives notice that it intends to declare and distribute a dividend.

Upon the Covered Bonds becoming immediately due and repayable by the Issuer pursuant to this Condition 10(a), the Bond Trustee shall forthwith serve a notice to pay (the "**Notice to Pay**") on the LLP pursuant to the Covered Bond Guarantee and the LLP shall be required to make payments of Guaranteed Amounts when the same shall become Due for Payment in accordance with the terms of the Covered Bond Guarantee.

Following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice, the Bond Trustee may or shall take such proceedings against the Issuer in accordance with the first paragraph of Condition 10(c).

The Trust Deed provides that all monies received by the Bond Trustee from the Issuer or any receiver, liquidator, administrator or other similar official appointed in relation to the Issuer following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice and a Notice to Pay (the "**Excess Proceeds**"), shall be paid by the Bond Trustee on behalf of the Covered Bondholders of the relevant Series to the LLP for its own account, as soon as practicable, and shall be held by the LLP in the LLP Accounts and the Excess Proceeds shall thereafter form part of the Security and shall be used by the LLP in the same manner as all other monies from time to time standing to the credit of the LLP Accounts pursuant to the Deed of Charge and the LLP Deed. Any Excess Proceeds received by the Bond Trustee shall discharge *pro tanto* the obligations of the Issuer in respect of the payment of the amount of such Excess Proceeds under the Covered Bonds and Coupons. However, the obligations of the LLP under the Covered Bond Guarantee are (following service of a Notice to Pay) unconditional and irrevocable and the receipt by the Bond Trustee of any Excess Proceeds shall not reduce or discharge any of such obligations.

By subscribing for Covered Bond(s), each Covered Bondholder shall be deemed to have irrevocably directed the Bond Trustee to pay the Excess Proceeds to the LLP in the manner as described above.

(b) ***LLP Events of Default***

The Bond Trustee (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction):

(i) may, at its discretion; and

(ii) shall, if:

(A) so requested in writing by the holders of at least 25 per cent. of the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds (which for this

purpose and the purpose of any Extraordinary Resolution referred to in this Condition 10(b) means the Covered Bonds of this Series together with the Covered Bonds of any other Series constituted by the Trust Deed) then outstanding as if they were a single Series (with the nominal amount of Covered Bonds not denominated in Sterling converted into Sterling at the relevant Covered Bond Swap Rate); or

(B) so directed by an Extraordinary Resolution of all the Covered Bondholders,

give notice (the "**LLP Acceleration Notice**") in writing to the Issuer and to the LLP, that (x) each Covered Bond of each Series is, and each Covered Bond of each Series shall as against the Issuer (if not already due and repayable against it following an Issuer Event of Default), thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest and (y) all amounts payable by the LLP under the Covered Bond Guarantee shall thereupon immediately become due and payable at the Guaranteed Amount corresponding to the Early Redemption Amount for each Covered Bond of each Series together with accrued interest, in each case as provided in the Trust Deed and thereafter the Security shall become enforceable if any of the following events (each an "**LLP Event of Default**") shall occur and be continuing if:

(1) default is made by the LLP for a period of seven (7) days or more in the payment of any Guaranteed Amounts when Due for Payment in respect of the Covered Bonds of any Series except in the case of the payments of a Guaranteed Amount when Due for Payment under Condition 7(a) where the LLP shall be required to make payments of Guaranteed Amounts which are Due for Payment on the dates specified therein; or

(2) default is made by the LLP in the performance or observance of any obligation, condition or provision binding on it (other than any obligation for the payment of Guaranteed Amounts in respect of the Covered Bonds of any Series) under the Trust Deed, the Deed of Charge or any other Transaction Document to which the LLP is a party and, except where such default is or the effects of such default are, in the opinion of the Bond Trustee, not capable of remedy when no such continuation and notice as is hereinafter mentioned will be required, such default continues for 30 days (or such longer period as the Bond Trustee may permit) after written notice thereof has been given by the Bond Trustee to the LLP requiring the same to be remedied and only if the Bond Trustee has certified in writing to the Issuer and the LLP that such event is, in its opinion, materially prejudicial to the interests of the Covered Bondholders; or

(3) an order is made or an effective resolution passed for the liquidation or winding-up of the LLP; or

(4) the LLP ceases or threatens to cease to carry on its business or substantially the whole of its business; or

(5) the LLP shall stop payment or shall be unable, or shall admit inability, to pay its debts generally as they fall due or shall be adjudicated or found bankrupt or insolvent; or

(6) proceedings are initiated against the LLP under any applicable liquidation, winding-up, insolvency, bankruptcy, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition or the filing of documents with a court or any registrar for its winding-up, administration or dissolution or the giving notice of the intention to appoint an administrator (whether out of court or otherwise)); or a receiver and/or manager, administrative receiver, administrator, trustee or other similar official shall be appointed (whether out of court or otherwise) in relation to the LLP or in relation to the whole or any part of its assets, or a distress, diligence or execution or other process shall be levied or enforced upon or sued out against the whole or any part of its assets, or if the LLP shall initiate or consent to judicial proceedings relating to itself under any applicable liquidation, winding-up, insolvency, bankruptcy, composition, reorganisation or other similar laws or shall make a conveyance, assignment or assignation for the benefit of, or shall enter into any composition with, its creditors generally; or

(7) a failure to satisfy the Amortisation Test (as set out in the LLP Deed) on any Calculation Date following an Issuer Event of Default; or

(8) the Covered Bond Guarantee is not, or is claimed by the LLP not to be, in full force and effect.

Following the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice on the LLP each of the Bond Trustee and the Security Trustee may or shall (in the case of a direction by Covered Bondholders in accordance with Condition 10(c) take such proceedings or steps in accordance with the first and second paragraphs, respectively, of Condition 10(c) and the Covered Bondholders shall have a claim against the LLP, under the Covered Bond Guarantee, for an amount equal to the Early Redemption Amount together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable under Condition 8) as provided in the Trust Deed.

(c) ***Enforcement***

The Bond Trustee may at any time, at its discretion and without further notice, take such proceedings against the Issuer and/or the LLP, as the case may be, and/or any other person as it may think fit to enforce the provisions of the Trust Deed, the Covered Bonds and the Coupons, but it shall not be bound to take any such enforcement proceedings in relation to the Trust Deed, the Covered Bonds or the Coupons or any other Transaction Document unless (i) it shall have been so directed by an Extraordinary Resolution of all the Covered Bondholders of all Series (with the Covered Bonds of all Series taken together as a single Series as aforesaid) or so requested in writing by the holders of not less than 25 per cent. of the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (taken together as a single Series) and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

In exercising any of its powers, trusts, authorities and discretions the Bond Trustee shall only have regard to the interests of the Covered Bondholders of all Series and shall not have regard to the interests of any other Secured Creditors.

The Security Trustee may at any time, at its discretion and without further notice, take such proceedings against the LLP and/or any other person as it may think fit to enforce the provisions of the Deed of Charge and may, at any time after the Security has become enforceable, take such steps as it may think fit to enforce the Security, but it shall not be bound to take any such steps unless (i) it shall have been so directed by an Extraordinary Resolution of all the Covered Bondholders of all Series (with the Covered Bonds of all Series taken together as a single Series as aforesaid) or a request in writing by the holders of not less than 25 per cent. of the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (taken together as a single Series); and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. In exercising any of its powers, trusts, authorities and discretions under this paragraph the Security Trustee shall only have regard to the interests of the Covered Bondholders of all Series and shall not have regard to the interests of any other Secured Creditors.

No Covered Bondholder or Couponholder shall be entitled to proceed directly against the Issuer or the LLP or to take any action with respect to the Trust Deed, the Covered Bonds, the Coupons, or the Security unless the Bond Trustee or the Security Trustee, as applicable, having become bound so to proceed, (i) fails so to do within a reasonable time, or (ii) is unable for any reason so to do, and such failure or inability shall be continuing.

11. Replacement of Covered Bonds and Coupons

Should any Covered Bond or Coupon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent in London (in the case of Bearer Covered Bonds or Coupons) or the Registrar (in the case of Registered Covered Bonds), or any other place approved by the Bond Trustee of which notice shall have been published in accordance with Condition 14 upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Covered Bonds or Coupons must be surrendered before replacements will be issued.

12. Principal Paying Agent, Paying Agents, Registrar, Transfer Agent

In the event of the appointed office of any such bank being unable or unwilling to continue to act as the Principal Paying Agent, or failing duly to determine the Rate of Interest, if applicable, or to calculate the Interest Amounts for any Interest Period, the Issuer shall appoint the London office of such other bank as may be approved by the Bond Trustee to act as such in its place. The Principal Paying Agent may not resign its duties or be removed from office without a successor having been appointed as aforesaid.

The Issuer is entitled, with the prior written approval of the Bond Trustee, to vary or terminate the appointment of any Paying Agent or the Registrar and/or appoint additional or other Paying Agents or the Registrar and/or approve any change in the specified office through which any Paying Agent or the Registrar acts, provided that:

(a) there will at all times be a Principal Paying Agent and a Registrar; and

(b) so long as any of the Covered Bonds are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Covered Bonds) (which may be the Principal Paying Agent) and a Transfer Agent (in the case of Registered Covered Bonds) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or as the case may be, other relevant authority.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(e). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice shall have been given to the Covered Bondholders in accordance with Condition 14 (*Notices*).

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the LLP and, in certain circumstances specified therein, of the Bond Trustee and do not assume any obligation to, or relationship of agency or trust with, any Covered Bondholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Bearer Covered Bond to which it appertains) a further Talon, subject to the provisions of Condition 9 (*Prescription*).

14. Notices

All notices regarding the Bearer Covered Bonds will be valid if published in the Financial Times or any other daily newspaper in London approved by the Bond Trustee or, if this is not possible, in one other English language daily newspaper approved by the Bond Trustee with general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Bearer Covered Bonds are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers or where published in such newspapers on different dates, the last date of such first publication.

All notices regarding the Registered Covered Bonds will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Covered Bonds are listed, quoted or traded on a stock exchange or are admitted to listing by another relevant authority and the rules

of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

So long as the Covered Bonds are represented in their entirety by any Global Covered Bonds held on behalf of DTC and/or Euroclear and/or Clearstream, Luxembourg, there may be substituted for such publication in such newspaper(s) the delivery of the relevant notice to DTC and/or Euroclear and/or Clearstream, Luxembourg for communication by them to the Covered Bondholders and, in addition, for so long as any Covered Bonds are listed on a stock exchange or admitted to listing by any other relevant authority and the rules of the stock exchange, or as the case may be, other relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange or, as the case may be, or any other relevant authority. Any such notice shall be deemed to have been given to the Covered Bondholders on the day on which the said notice was given to DTC and/or Euroclear and/or Clearstream, Luxembourg.

15. Meetings of Covered Bondholders, Modification and Waiver

(a) ***Meetings of Covered Bondholders***

The Trust Deed contains provisions for convening meetings (including by way of conference call or by use of a videoconference platform) of the Covered Bondholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Conditions or the provisions of the Trust Deed. The quorum at any such meeting in respect of any Covered Bonds of any Series for passing an Extraordinary Resolution is one or more persons holding or representing not less than a clear majority of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned meeting one or more persons being or representing the Covered Bondholders whatever the nominal amount of the Covered Bonds of such Series so held or represented, except that at any meeting the business of which includes the modification of any Series Reserved Matter, the quorum shall be one or more persons holding or representing not less than two-thirds of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one third of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Covered Bondholders of a Series shall, subject as provided below, be binding on all the Covered Bondholders of such Series, whether or not they are present at the meeting, and on all Couponholders in respect of such Series of Covered Bonds. Pursuant to the Trust Deed, the Bond Trustee may convene a single meeting of the holders of Covered Bonds of more than one Series if in the opinion of the Bond Trustee there is no conflict between such Covered Bondholders, in which event the provisions of this paragraph shall apply thereto *mutatis mutandis*.

Notwithstanding the provisions of the immediately preceding paragraph, any Extraordinary Resolution to direct the Bond Trustee to accelerate the Covered Bonds pursuant to Condition 10 or to direct the Bond Trustee or the Security Trustee to take any enforcement action (each a "**Programme Resolution**") shall only be capable of being passed at a single meeting of the Covered Bondholders of all Series then outstanding. Any such meeting to consider a Programme Resolution may be convened by the Issuer, the LLP or the Bond Trustee or by the Covered Bondholders of any Series. The quorum at any such meeting for passing a Programme Resolution is one or more persons holding or representing at least a clear majority of the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series for the time being outstanding or at any adjourned such meeting one or more persons holding or representing Covered Bonds whatever the nominal amount of the Covered Bonds of any Series so held or represented. A Programme Resolution passed at any meeting of the Covered Bondholders of all Series shall be binding on all the Covered Bondholders of all Series, whether or not they are present at the meeting, and on all related Couponholders in respect of such Series of Covered Bonds.

(b) ***Modifications and waivers***

(i) *Non-material prejudice or manifest error*: The Bond Trustee may without the consent or sanction of any of the Covered Bondholders or Couponholders of any Series and without the consent of the Secured Creditors (and for this purpose the Bond Trustee and Security Trustee may disregard whether any such modification relates to a Series Reserved Matter), concur with the Issuer and the LLP and any other party, or direct the Security Trustee to concur with the Issuer or any other person, in making:

(A) any modification of the Covered Bonds of one or more Series, the related Coupons or any Transaction Document provided that in the opinion of the Bond Trustee such modification is not materially prejudicial to the interests of any of the Covered Bondholders of any Series; or

(B) any modification of the Covered Bonds of any one or more Series, the related Coupons or any Transaction Document which is, (i) in the opinion of the Bond Trustee of a formal, minor or technical nature, (ii) in the opinion of the Bond Trustee made to correct a manifest error or (iii) to comply with mandatory provisions of law.

(ii) *Additional rights of modification*:

In addition to the provisions of Condition 15(b)(i):

(A) the Issuer, the LLP and the Principal Paying Agent may agree, without the consent of the Bond Trustee, the Security Trustee, the Covered Bondholders or Couponholders or any of the other Secured Creditors, to any modification of any of the provisions of any Final Terms which is of a formal, minor or technical nature or is made to correct a manifest error (provided that any rights, powers or protections afforded to the Bond Trustee or the Security Trustee are not affected by such modification);

(B) the Issuer and the LLP may request the Bond Trustee and the Security Trustee (acting on the directions of the Bond Trustee, so long as there are any Covered Bonds outstanding, or all of the other Secured Creditors if there are no Covered Bonds outstanding) to agree to modifications to the Transaction Documents (including the Loan Warranties and the Eligibility Criteria) and/or these Conditions of the Covered Bonds to enable:

(1) the Covered Bonds issued under the Programme to qualify as regulated covered bonds under the RCB Regulations or any replacement or amended regulations;

(2) the Transaction Documents and/or these Conditions of the Covered Bonds to comply with or implement or reflect any change in criteria of the Rating Agencies;

(3) N Covered Bonds to be issued under the Programme;

(4) the appointment of an additional Account Bank (provided such Account Bank has at least the Account Bank Remedial Ratings) and the LLP to open additional Transaction Accounts with any Account Bank or to open any cash or securities account with any Account Bank for the purposes of depositing Authorised Investments or Substitution Assets;

(5) the establishment of any additional or replacement Swap Collateral Account that may be required in accordance with any Interest Rate Swap Agreement or any Covered Bond Swap Agreement (provided any such Swap Collateral Account is held with a Swap Collateral Account Bank which has at least the Account Bank Remedial Ratings);

(6) any Interest Rate Swap Agreement to be terminated or amended from time to time, together with any consequential amendments to the Transaction Documents and/or these Conditions of the Covered Bonds for the purpose of enabling the notional amount of the SVR Interest Rate Swap to be reduced to zero at the option of the SVR Interest Rate Swap Provider following a downgrade in the relevant rating of the SVR Interest Rate Swap Provider or any guarantor of the SVR Interest Rate Swap Provider's obligations by the relevant Rating Agency, provided that (A) the relevant Rating Agency has confirmed that the ratings of the Covered Bonds would not be adversely affected or withdrawn and (B) that all necessary regulatory approvals and consents have been received;

(7) the Covered Bonds to be (or to remain) listed on the London Stock Exchange;

(8) the Issuer or the LLP to comply with FATCA (or any voluntary agreement entered into with a taxing authority in relation thereto);

(9) the addition of any Rating Agency to the Programme;

(10) New Mortgage Loan Types to be sold to the LLP provided that the Ratings Condition is satisfied in respect of such modifications and subject always to the provisions of the Mortgage Sale Agreement in relation to New Mortgage Loan Types;

(11) the accession of any relevant entity in the Group or any New Seller as contemplated by clause 32 of the LLP Deed; and/or

(12) any member of the Group to be appointed as administrator of all or some of the Mortgage Loans to be acquired by the LLP.

Each of the Bond Trustee and the Security Trustee (acting on the directions of the Bond Trustee, so long as there are any Covered Bonds outstanding, or all of the other Secured Creditors if there are no Covered Bonds outstanding) shall agree to such modifications (other than in respect of a Series Reserved Matter) without the consent or sanction of any of the Covered Bondholders, the Couponholders and without the consent or sanction of any other Secured Creditors (other than any Secured Creditor party to the relevant Transaction Document to be amended), subject to receipt by the Bond Trustee and the Security Trustee of a certificate signed by a director of the Issuer and a certificate of a Designated Member of the LLP, each certifying to the Bond Trustee and the Security Trustee (i) that the requested amendments are to be made solely for the purpose of enabling one or more of the matters referred to in paragraphs (1) to (12) above and (ii) that the requested amendments are not, in the opinion of the Issuer (in the case of the certificate furnished on behalf of the Issuer) and the LLP (in the case of the certificate furnished on behalf of the LLP), materially prejudicial to the interests of any Covered Bondholders, Couponholders or any Secured Creditor; and

(C) the Bond Trustee shall, without the consent of the holders of any of the Covered Bonds or any other Secured Creditor, (other than any Secured Creditor party to the relevant Transaction Document to be amended) be obliged to concur with the Issuer and/or the LLP, and/or direct the Security Trustee to concur with the Issuer and/or the LLP, in making any modifications to the Transaction Documents and/or these Conditions of the Covered Bonds that are requested by the Issuer and/or the LLP in order to enable the Issuer to comply with any requirements which apply to it under Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (as amended, modified and/or restated from time to time) under the UK EMIR and/or EU EMIR, subject to receipt by the Bond Trustee and the Security Trustee of a certificate of the Issuer (upon which the Bond Trustee and the Security Trustee may rely without further enquiry or liability to any person) certifying to the Bond Trustee and the Security Trustee that the requested amendments are to be made solely for the purpose of enabling the Issuer and/or the LLP to satisfy any requirements which apply to either of them under UK EMIR and/or EU EMIR.

(iii) *Base Rate Modifications:* The Bond Trustee, the Security Trustee and the LLP shall (without the consent of the Covered Bondholders of any Series and/or the related Couponholders and without the consent of the other Secured Creditors (and for this purpose the Bond Trustee and the Security Trustee may disregard whether any such modification relates to a Series Reserved Matter)) be obliged to concur with the Issuer in making any modification (other than in respect of a Series Reserved Matter, provided that a Base Rate Modification (as defined below) will not constitute a Series Reserved Matter) to these Conditions and/or any Transaction Document (including, for the avoidance of doubt but without limitation, any Covered Bond Swap in relation to the relevant Series of Covered Bonds and subject to the consent only of the Secured Creditors (i) party to the relevant Transaction Document being amended or (ii) whose ranking

in any Priorities of Payment is affected) that the Issuer considers necessary for the purpose of (I) changing the base rate in respect of the Covered Bonds from EURIBOR, Compounded Daily SONIA, SARON or such other benchmark rate (each, a "**Reference Rate**") to an alternative base rate (any such rate, an "**Alternative Base Rate**") and/or (II) amending the provisions of any Transaction Document (including, for the avoidance of doubt but without limitation, any Covered Bond Swap in relation to the relevant Series of Covered Bonds) to refer to or otherwise accommodate an alternative benchmark in order to preserve the effect of the relevant hedging or other arrangements under such Transaction Document in respect of the relevant Series of Covered Bonds, and in each case (x) other than in respect of any Recommended Replacement Rate or the SNB Policy Rate in the circumstances and as otherwise set out in Condition 15(b)(iv)) and (y) make such other amendments as are necessary or advisable in the reasonable judgment of the Issuer to facilitate such change (a "**Base Rate Modification**"), provided that:

(A) the Issuer certifies to the Bond Trustee in writing (such certificate, a "**Base Rate Modification Certificate**") that such Base Rate Modification is being undertaken due to:

(1) a material disruption to the relevant Reference Rate, an adverse change in the methodology of calculating the relevant Reference Rate or the relevant Reference Rate ceasing to exist or be published;

(2) the occurrence of the circumstances specified in Condition 15(b)(iii)(II) above;

(3) a public statement by the administrator of the relevant Reference Rate that it will cease publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator for the Reference Rate has been appointed that will continue publication of the relevant Reference Rate) and such cessation is reasonably expected by the Issuer to occur prior to the Final Maturity Date or the Extended Due for Payment Date, as applicable;

(4) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will be permanently or indefinitely discontinued or will be changed in an adverse manner and such cessation is reasonably expected by the Issuer to occur prior to the Final Maturity Date or the Extended Due for Payment Date, as applicable;

(5) a public statement by the supervisor of the administrator of the relevant Reference Rate that means such Reference Rate may no longer be used, is no longer representative or that its use is subject to restrictions or adverse consequences;

(6) a public statement or publication of information by the administrator of such Reference Rate that it has invoked or will invoke, permanently or indefinitely, its insufficient submissions policy; or

(7) the reasonable expectation of the Issuer that any of the events specified in sub-paragraphs (1), (2), (3), (4), (5), or (6) above will occur or exist within six months of the proposed effective date of such Base Rate Modification,

and, in each case, has been drafted solely to such effect;

(B) any such Alternative Base Rate is:

(1) a base rate published, endorsed, approved or recognised by the Bank of England, any regulator in the United States, the United Kingdom or the European Union or any stock exchange on which the Covered Bonds are listed or any relevant committee or other body established, sponsored or approved by any of the foregoing;

(2) a base rate utilised in a material number of publicly-listed new issues of floating rate covered bonds or floating rate senior unsecured notes prior to the

effective date of such Base Rate Modification (for these purposes, unless agreed otherwise by the Bond Trustee, five (5) such issues shall be considered material); or

(3) a base rate utilised in a publicly-listed new issue of floating rate covered bonds where the issuer (or, in the case of asset backed securities, the originator of the relevant assets) is the Issuer or an Affiliate of the Issuer;

(C) at least 30 days' prior written notice of any Base Rate Modification has been given to the Bond Trustee;

(D) a Base Rate Modification Certificate is provided to the Bond Trustee both at the time the Bond Trustee is notified of the Base Rate Modification and on the effective date of such Base Rate Modification;

(E) with respect to each Rating Agency, either:

(1) the Issuer obtains from such Rating Agency written confirmation that such Base Rate Modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the relevant Covered Bonds of any Series by such Rating Agency or (y) such Rating Agency placing the Covered Bonds of any Series on rating watch negative (or equivalent) and delivers a copy of each such confirmation to the Bond Trustee and the Security Trustee; or

(2) the Issuer provides a certificate signed by a director of the Issuer certifying to the Bond Trustee and the Security Trustee that it has notified such Rating Agency of the Base Rate Modification and, in its opinion, formed on the basis of due consideration and consultation with such Rating Agency (including, as applicable, upon receipt of oral confirmation from an appropriately authorised person at such Rating Agency), such Base Rate Modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the Covered Bonds of any Series by such Rating Agency or (y) such Rating Agency placing the Covered Bonds of any Series on rating watch negative (or equivalent),

each a "**Rating Confirmation**";

(F) the Issuer pays (or arranges for the payment of) all reasonable and documented fees, costs and expenses (including legal fees) properly incurred by the Bond Trustee and the Security Trustee in connection with such Base Rate Modification; and

(G) the Issuer has provided at least 30 days' notice to the Covered Bondholders of the relevant Series of Covered Bonds of the Base Rate Modification in accordance with Condition 14 (*Notices*) and by publication on Bloomberg on the "Company News" screen relating to the Covered Bonds (in each case specifying the date and time by which Covered Bondholders must respond), and by the relevant deadline so specified, the Bond Trustee, the Issuer and the Principal Paying Agent (collectively) have not received any objections from Covered Bondholders, or have received such objections but the aggregate holding of the objecting Covered Bondholders is less than 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds then outstanding (any such objections must (i) be given by Covered Bondholders by way of notice in writing or otherwise in accordance with the then current practice of any applicable Clearing System through which such Covered Bonds may be held, and (ii) expressly state that the relevant Covered Bondholder does not consent to the Base Rate Modification).

If Covered Bondholders holding at least 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds then outstanding have notified the Bond Trustee, the Issuer and the Principal Paying Agent (collectively) in writing (or otherwise in accordance with the then current practice of any applicable Clearing System through which the Covered Bonds may be held) by the time specified in such

notice that such Covered Bondholders do not consent to the Base Rate Modification, then the Base Rate Modification will not be made unless an Extraordinary Resolution of the Covered Bondholders of the relevant Series then outstanding is passed in favour of the Base Rate Modification in accordance with Condition 15 (*Meetings of Covered Bondholders, Modification and Waiver*).

When implementing any modification pursuant to this Condition 15(b)(iii):

(I) the Bond Trustee shall not consider the interests of the Covered Bondholders, any other Secured Creditor or any other person and shall act and rely solely and without investigation or liability on any Base Rate Modification Certificate or other certificate or evidence provided to it by the Issuer and shall not be liable to the Covered Bondholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and

(II) neither the Bond Trustee nor the Security Trustee shall be obliged to agree to any modification which, in the sole opinion of the Bond Trustee and/or the Security Trustee would have the effect of (i) exposing the Bond Trustee and/or the Security Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights, powers, authorisations, discretions, indemnification or protections, of the Bond Trustee and/or the Security Trustee in the Transaction Documents and/or these Conditions.

(iv) *Additional provisions relating to SARON*

(A) If SARON is not published on the SARON Administrator Website at the Relevant Time on a relevant Business Day and a SARON Benchmark Transition Event and a SARON Benchmark Replacement Date have both occurred at or prior to the Relevant Time on such Business Day (such event, the "**SARON Benchmark Event**"), then, in respect of such Business Day and (subject to the further operation of this Condition 15(b), if applicable) each Business Day thereafter, SARON will be replaced with:

(1) if there is a Recommended Replacement Rate within one Business Day of the SARON Benchmark Replacement Date, the Recommended Replacement Rate for such Business Day, giving effect to the Recommended Adjustment Spread, if any, published on such Business Day; or

(2) if there is no Recommended Replacement Rate within one Business Day of the SARON Benchmark Replacement Date, the policy rate of the Swiss National Bank (the "**SNB Policy Rate**") for such Business Day, giving effect to the SNB Adjustment Spread, if any.

Notwithstanding the above, if the SNB Policy Rate for any Business Day with respect to which SARON is to be determined pursuant to paragraph (A)(2) above has not been published on such Business Day, then in respect of such Business Day (the "**Affected Business Day**") and each Business Day thereafter, SARON will be replaced by the Replacement Rate, if any, determined in accordance with Condition 15(b)(iv)(D) for the purposes of determining the Rate of Interest.

(B) If the Issuer (I) is required to use a Recommended Replacement Rate or the SNB Policy Rate pursuant to paragraphs (A)(1) or (A)(2) above for purposes of determining SARON for any Business Day, and (II) determines that any changes to the definitions of Business Day Convention, Day Count Fraction, Interest Determination Date, Interest Payment Date, Interest Accrual Period, Relevant Time, SARON, SARON Administrator, SARON Administrator Website or SARON Observation Period are necessary in order to use such Recommended Replacement Rate (and any Recommended Adjustment Spread) or the SNB Policy Rate (and any SNB Adjustment Spread), as the case may be, for such purposes, such definitions will be amended as contemplated in Condition 15(b)(i) to reflect such changes, and the Issuer shall give notice as soon as practicable to the Bond Trustee and the Principal Paying Agent and,

in accordance with Condition 14 (*Notices*), the Covered Bondholders, specifying the Recommended Replacement Rate and any Recommended Adjustment Spread or, as the case may be, indicating that the SNB Policy Rate will be used and specifying any SNB Adjustment Spread, as applicable, and the amendments implemented pursuant to Condition 15(b)(i).

(C) Unless the Issuer has elected to redeem the Covered Bonds in accordance with these Conditions, the Issuer will appoint a "Replacement Rate Agent" on or prior to the first relevant Business Day (I) with respect to which SARON is to be determined pursuant to paragraph (A)(2) above and (II) for which the SNB Policy Rate has not been published thereon. The Issuer may appoint an affiliate of the Issuer or any other person as Replacement Rate Agent, so long as such affiliate or other person is a leading financial institution that is experienced in the calculations or determinations to be made by the Replacement Rate Agent. The Issuer will notify the Covered Bondholders of any such appointment in accordance with Condition 14 (*Notices*).

(D) If the conditions set out in the last paragraph of Condition 15(b)(iv)(A) above have been satisfied, then the Replacement Rate Agent will determine whether to use an alternative rate to SARON for the Affected Business Day and for all subsequent Business Days in the SARON Observation Period in which the Affected Business Day falls (the "**Affected SARON Observation Period**") and all SARON Observation Periods thereafter. If the Replacement Rate Agent determines to use an alternative rate pursuant to the immediately preceding sentence, it shall select such rate that it has determined is most comparable to the Swiss Average Rate Overnight (the "**Existing Rate**"), provided that if it determines that there is an appropriate industry-accepted successor rate to the Existing Rate, it shall use such industry-accepted successor rate. If the Replacement Rate Agent has determined an alternative rate in accordance with the foregoing (such rate, the "**Replacement Rate**"), for the purposes of determining the Rate of Interest, (a) the Replacement Rate Agent shall determine (A) the method for obtaining the Replacement Rate (including any alternative method for determining the Replacement Rate if such alternative rate is unavailable on the relevant Interest Determination Date), which method shall be consistent with industry-accepted practices for the Replacement Rate, and (B) any adjustment factor as may be necessary to make the Replacement Rate comparable to the Existing Rate consistent with industry-accepted practices for the Replacement Rate, (b) for the Affected Business Day and all subsequent Business Days in the Affected SARON Observation Period and all SARON Observation Periods thereafter, references to SARON in these Conditions shall be deemed to be references to the Replacement Rate, including any alternative method for determining such rate and any adjustment factor as described in paragraph (a) above, (c) if the Replacement Rate Agent determines that changes to the definitions of Business Day Convention, Day Count Fraction, Interest Determination Date, Interest Payment Date, Interest Accrual Period, Relevant Time, SARON or SARON Observation Period are necessary in order to implement the Replacement Rate as SARON, such definitions will be amended as contemplated in Condition 15(b)(i) to reflect such changes, and (d) the Issuer shall give notice as soon as practicable to the Bond Trustee and the Principal Paying Agent and, in accordance with Condition 14 (*Notices*), the Covered Bondholders, specifying the Replacement Rate, as well as the details described in paragraph (a) above, and the amendments implemented pursuant to Condition 15(b)(i). Any determination to be made by the Replacement Rate Agent pursuant to this Condition 15(b)(iv) including any determination with respect to a rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be made in the sole discretion of the Replacement Rate Agent acting in good faith and in a commercially reasonable manner.

"**Recommended Adjustment Spread**" means, with respect to any Recommended Replacement Rate, the spread (which may be positive, negative or zero), or formula or methodology for calculating such a spread:

(1) that the Recommending Body has recommended be applied to such Recommended Replacement Rate in the case of fixed income securities with

respect to which such Recommended Replacement Rate has replaced the Swiss Average Rate Overnight as the reference rate for purposes of determining the applicable rate of interest thereon; or

(2) if the Recommending Body has not recommended such a spread, formula or methodology as described in paragraph (1) above, to be applied to such Recommended Replacement Rate in order to reduce or eliminate, to the extent reasonably practicable under the circumstances, any economic prejudice or benefit (as applicable) to Covered Bondholders as a result of the replacement of the Swiss Average Rate Overnight with such Recommended Replacement Rate for purposes of determining SARON, which spread will be determined by the Issuer, following consultation with the Independent Adviser, and be consistent with industry-accepted practices for fixed income securities with respect to which such Recommended Replacement Rate has replaced the Swiss Average Rate Overnight as the reference rate for purposes of determining the applicable rate of interest thereon.

"**Recommended Replacement Rate**" means the rate that has been recommended as the replacement for the Swiss Average Rate Overnight by the Recommending Body.

"**Recommending Body**" means any working group or committee in Switzerland organised in the same or a similar manner as the National Working Group on Swiss Franc Reference Rates that was founded in 2013 for purposes of, among other things, considering proposals to reform reference interest rates in Switzerland.

"**SNB Adjustment Spread**" means, with respect to the SNB Policy Rate, the spread to be applied to the SNB Policy Rate in order to reduce or eliminate, to the extent reasonably practicable under the circumstances, any economic prejudice or benefit (as applicable) to Covered Bondholders as a result of the replacement of SARON with the SNB Policy Rate for purposes of determining SARON, which spread will be determined by the Issuer following consultation with an independent adviser (being an independent financial institution of international repute or an independent adviser of recognised standing with appropriate expertise) appointed by the Issuer for such purpose, taking into account the historical median between the SARON and the SNB Policy Rate during the two year period ending on the date on which the SARON Benchmark Transition Event occurred (or, if more than one SARON Benchmark Transition Event has occurred, the date on which the first of such events occurred).

(v) *Trustee protections*: The Bond Trustee and the Security Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Bond Trustee and the Security Trustee, as applicable, would have the effect of (a) exposing the Bond Trustee and the Security Trustee, as applicable, to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (b) increasing the obligations or duties, or decreasing the protections, of the Bond Trustee and the Security Trustee, as applicable, in the Transaction Documents and/or these Conditions of the Covered Bonds.

(vi) *Waiver or authorisation of breach*: The Bond Trustee may also agree, without the consent of the Covered Bondholders of any Series, the related Couponholders, to the waiver or authorisation of any breach or proposed breach of any of the provisions of the Covered Bonds of any Series, or determine, without any such consent as aforesaid, that any Issuer Event of Default or LLP Event of Default or Potential Issuer Event of Default or Potential LLP Event of Default shall not be treated as such, provided that, in any such case, it is not, in the opinion of the Bond Trustee, materially prejudicial to the interests of any of the Covered Bondholders of any Series. The Security Trustee (acting on the directions of the Bond Trustee, so long as there are any Covered Bonds outstanding, or all of the other Secured Creditors if there are no Covered Bonds outstanding) may also agree, without the consent of the Covered Bondholders of any Series, the related Couponholders or any other Secured Creditor, to the waiver or authorisation of any breach or proposed breach of any of the provisions of the Transaction Documents, provided that, in any such case, it is not, in the opinion of the Security Trustee, (acting on the directions of the Bond Trustee, so long as there are any Covered Bonds outstanding, or all of

the other Secured Creditors if there are no Covered Bonds outstanding) materially prejudicial to the interests of any of the Covered Bondholders of any Series.

(vii) *No breach of RCB Regulations*: In respect of any proposed modification, waiver, authorisation or determination, prior to the Bond Trustee agreeing to any such modification, waiver, authorisation or determination pursuant to this Condition 15, the Issuer must provide a certificate signed by a director of the Issuer certifying to the Bond Trustee that such modification, waiver, authorisation or determination, as applicable, would not result in a breach of the RCB Regulations or result in the Issuer and/or the Programme ceasing to be registered under the RCB Regulations and that either:

(A) such modification, waiver, authorisation or determination will not require the FCA to be notified in accordance with Regulation 20 of the RCB Regulations; or

(B) if such modification, waiver, authorisation or determination will require the FCA to be notified in accordance with Regulation 20 of the RCB Regulations, the Issuer has provided all information required to be provided to the FCA and the FCA has given its approval to such proposed modification, waiver, authorisation or determination.

(viii) *Binding on Covered Bondholders*: Any such modification, waiver, authorisation or determination shall be binding on all the Covered Bondholders of all Series of Covered Bonds for the time being outstanding, the related Couponholders and the other Secured Creditors, and unless the Security Trustee (acting on the directions of the Bond Trustee, so long as there are any Covered Bonds outstanding, or all of the other Secured Creditors if there are no Covered Bonds outstanding) and the Bond Trustee otherwise agree, any such modification shall be notified by the Issuer to the Covered Bondholders of all Series of Covered Bonds for the time being outstanding and the other Secured Creditors in accordance with the relevant terms and conditions as soon as practicable thereafter.

(ix) *Regard to general interests of Covered Bondholders of each Series as a class*: In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Bond Trustee and the Security Trustee (acting on the directions of the Bond Trustee, so long as there are any Covered Bonds outstanding, or all of the other Secured Creditors if there are no Covered Bonds outstanding) shall have regard to the general interests of the Covered Bondholders of each Series as a class (but shall not have regard to any interests arising from circumstances particular to individual Covered Bondholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Covered Bondholders, the related Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Bond Trustee and the Security Trustee shall not be entitled to require, nor shall any Covered Bondholder or Couponholder be entitled to claim, from the Issuer, the LLP, the Bond Trustee, the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Covered Bondholder and/or Couponholders, except to the extent already provided for in Condition 8 and/or in any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

(c) ***Substitution of the Issuer***

(i) Subject to paragraph (c)(ii) below, if so requested by the Issuer, the Bond Trustee and the Security Trustee (acting on the directions of the Bond Trustee, so long as there are any Covered Bonds outstanding, or all of the other Secured Creditors if there are no Covered Bonds outstanding) shall, without the consent of the Covered Bondholders or Couponholders or any other Secured Creditor, agree with the Issuer and the LLP to the substitution in place of the Issuer (or of the previous substitute under this Condition 15(c) above) as the principal debtor under the trust presents, the Covered Bonds, the Coupons and all other Transaction Documents of any subsidiary of the Issuer or any holding company of the Issuer or any other subsidiary of any such holding company, in each case incorporated or to be incorporated in any country in the world or to the re-substitution of the Issuer (such substituted issuer being hereinafter called the "**New Company**"), provided that, in each case a trust deed is executed and other forms of

undertaking are given by the New Company in the form and manner satisfactory to the Bond Trustee, agreeing to be bound by the provisions of the trust presents, the Covered Bonds, the Coupons and the other Transaction Documents to which the Issuer is a party and with any consequential amendments which the Bond Trustee may deem appropriate as fully as if the New Company had been named in the trust presents, the Covered Bonds, the Coupons and the other Transaction Documents as the principal debtor in place of the Issuer (or of the previous substitute under this Condition 15(c)).

(ii) The following further conditions shall apply to paragraph (i) above:

(A) the Issuer and the LLP shall deliver to the Bond Trustee and the Security Trustee a certificate of two directors of the Issuer and a certificate of a Designated Member of the LLP stating that immediately after giving effect to such transaction no Issuer Event of Default (in respect of the Issuer) or LLP Event of Default, respectively and no Potential Issuer Event of Default (in respect of the Issuer) or Potential LLP Event of Default, respectively, shall have occurred and be continuing;

(B) where the New Company is incorporated, domiciled or resident in, or subject generally to the taxing jurisdiction of, a territory other than or in addition to the United Kingdom or any political sub-division thereof or any authority therein or thereof having power to tax, undertakings or covenants shall be given by the New Company in terms corresponding to the provisions of Condition 8 (*Taxation*) with the substitution for (or, as the case may be, the addition to) the references to the United Kingdom or any political sub-division thereof or any authority therein or thereof having power to tax of references to that other or additional territory in which the New Company is incorporated, domiciled or resident or to whose taxing jurisdiction it is subject and, where such undertaking or covenant is provided, references in Condition 7(b) (*Redemption for taxation reasons*) to the United Kingdom or any political sub-division thereof or any authority therein or thereof having power to tax shall be deemed to be amended accordingly;

(C) a Ratings Confirmation is provided by each Rating Agency;

(D) the Covered Bond Guarantee remaining in place mutatis mutandis in relation to the obligations of the New Company;

(E) the Issuer and the LLP shall deliver to the Bond Trustee and the Security Trustee legal opinions from lawyers approved by the Bond Trustee in (a) England (and/or if different (in the case of the Issuer), the jurisdiction in which the Issuer is incorporated) and (b) the jurisdiction of incorporation of the New Company, in each case in form and substance satisfactory to the Bond Trustee and the Security Trustee;

(F) any New Company, including any Successor in Business or the subsidiary of the Issuer or of such Successor in Business or the holding company of the Issuer or such Successor in Business or any other subsidiary of any such holding company or such Successor in Business, is admitted to the register of regulated covered bonds pursuant to Regulation 14 of the RCB Regulations and that all other provisions of the RCB Regulations and the RCB Sourcebook (including Regulation 20 of the RCB Regulations) are satisfied prior to the substitution of the Issuer pursuant to this Condition 15(c);

(G) the directors of the New Company shall certify that the New Company is solvent at the time at which the said substitution is proposed to be effected (which certificate the Bond Trustee and the Security Trustee may rely upon absolutely) and the Bond Trustee and the Security Trustee shall not have regard to the financial condition, profits or prospects of the New Company or compare the same with those of the Issuer or of any previous substitute under this sub-clause; and

(H) the Issuer and (where applicable) the New Company comply with such other reasonable requirements as the Bond Trustee or the Security Trustee may direct in the interests of the Covered Bondholders.

(iii) Any such trust deed executed and/or undertakings given in this Condition 15(c) shall, if so expressed, operate to release the Issuer or the previous substitute as aforesaid from all of its obligations as principal debtor under the trust presents, the Covered Bonds, the Coupons and the other Transaction Documents to which it is a party. Not later than 14 days after the execution of such documents and compliance with such requirements, the New Company shall give notice thereof in a form previously approved by the Bond Trustee to the Covered Bondholders in the manner provided in Condition 14 (*Notices*). Upon the execution of such documents and compliance with such requirements, the New Company shall be deemed to be named in the trust presents, the Covered Bonds, the Coupons and the other Transaction Documents in place of the Issuer (or in each case in place of the previous substitute under this Condition 15(c)) under the trust presents, the Covered Bonds, the Coupons and the other Transaction Documents and the trust presents, the Covered Bonds, the Coupons and the other Transaction Documents shall be deemed to be modified in such manner as shall be necessary to give effect to the above provisions and, without limitation, references in the trust presents, the Covered Bonds, the Coupons and the other Transaction Documents to the Issuer shall, unless the context otherwise requires, be deemed to be or include references to the New Company.

(d) ***Consolidation, Merger, Amalgamation or Transfer of the Issuer***

(i) Subject to paragraph (ii) below, the Issuer may (without the consent of the Covered Bondholders or Couponholders of any Series or any other Secured Creditor (including the Bond Trustee and the Security Trustee) where the new entity is a corporation organised under the laws of the United Kingdom or any political subdivision thereof) consolidate with, merge or amalgamate into or transfer its assets substantially as an entirety to any corporation (where the surviving entity or transferee company is not the Issuer, such surviving entity or transferee company shall be referred to as the "**New Entity**").

(ii) The following further conditions shall apply to paragraph (i) above:

(A) the Issuer and the LLP shall each deliver to the Bond Trustee and the Security Trustee a certificate signed by a director of the Issuer and, in the case of the LLP, a Designated Member of the LLP stating that immediately after giving effect to such transaction no Issuer Event of Default or Potential Issuer Event of Default (in respect of the Issuer) and no LLP Event of Default or Potential LLP Event of Default (in respect of the LLP), shall have occurred and be continuing;

(B) where the surviving entity or transferee company is not the Issuer, the Issuer shall procure that the New Entity shall execute a trust deed and give other forms of undertaking in form and manner satisfactory to the Bond Trustee, agreeing to be bound by the provisions of the trust presents and the other Transaction Documents to which the Issuer is a party with any consequential amendments which the Bond Trustee may deem appropriate as if the New Entity had been named in the trust presents and such other Transaction Documents as the principal debtor in place of the Issuer (or in each case of the previous substitute under this Condition 15(d));

(C) a Ratings Confirmation is provided by each Rating Agency;

(D) where the surviving entity or transferee company is not the Issuer, where the New Entity is domiciled or resident in, or subject generally to the taxing jurisdiction of, a territory other than or in addition to the United Kingdom or any political sub-division thereof or any authority therein or thereof having power to tax, undertakings or covenants shall be given by the New Entity in terms corresponding to the provisions of Condition 8 (*Taxation*) with the substitution for (or, as the case may be, the addition to) the references to the United Kingdom or any political sub-division thereof or any authority therein or thereof having power to tax of references to that other or additional territory in which the New Entity is incorporated, domiciled or resident or to whose taxing jurisdiction it is subject and, where such undertaking or covenant is provided, references in Condition 7(b) (*Redemption for taxation reasons*) to the United Kingdom or any political sub-division thereof or any authority therein or thereof having power to tax shall be deemed to be amended accordingly;

(E) the Covered Bond Guarantee remaining in place *mutatis mutandis* in relation to the obligations of the New Entity;

(F) the Issuer and the LLP shall deliver to the Bond Trustee and the Security Trustee legal opinions obtained from lawyers approved by the Bond Trustee in (a) England (and/or if different (in the case of the Issuer), the jurisdiction in which the Issuer is incorporated) and (b) the jurisdiction of incorporation of the New Entity, in each case in form and substance satisfactory to the Bond Trustee;

(G) any New Entity is included in the register of regulated covered bonds pursuant to the RCB Regulations and that all other provisions of the RCB Regulations and the RCB Sourcebook (including Regulation 20 of the RCB Regulations) are satisfied prior to the consolidation, merger, amalgamation or transfer of the Issuer pursuant to this Condition 15(d);

(H) the Directors of the New Entity shall certify that the New Entity is solvent (viii) at the time at which the said consolidation, merger, amalgamation or transfer is proposed to be effected (which certificate the Bond Trustee or the Security Trustee may rely upon absolutely) and the Bond Trustee or the Security Trustee shall not have regard to the financial condition, profits or prospects of the New Entity or compare the same with those of the Issuer or of any previous substitute under this subclause; and

(I) the Issuer and (where applicable) the New Entity comply with such other reasonable requirements as the Bond Trustee or the Security Trustee may direct in the interests of the Covered Bondholders;

(iii) Any such trust deed executed and/or undertakings given in this Condition 15(d) shall, if so expressed, operate to release the Issuer (as the case may be) or the previous substitute as aforesaid from all of its obligations under the trust presents, the Covered Bonds, the Coupons and the other Transaction Documents. Not later than 14 days after such consolidation, merger, amalgamation and/or transfer, the New Entity shall give notice thereof in a form previously approved by the Bond Trustee to the Covered Bondholders in the manner provided in Condition 14 (*Notices*). Upon the execution of such documents and compliance with such requirements, the New Entity shall be deemed to be named in the trust presents, the Covered Bonds, the Coupons and the other Transaction Documents to which the Issuer is a party as the principal debtor in place of the Issuer (where the New Entity is the successor entity or transferee company of the Issuer) (or in each case in place of the previous substitute under this Condition 15(d)) under the trust presents, the Covered Bonds, the Coupons and the other Transaction Documents and the trust presents, the Covered Bonds, the Coupons and the other relevant Transaction Documents shall be deemed to be modified in such manner as shall be necessary to give effect to the above provisions and, without limitation, references in the trust presents, the Covered Bonds, the Coupons and the other relevant Transaction Documents to the Issuer shall, unless the context otherwise requires, be deemed to be or include references to the New Entity.

(e) ***Definitions***

For the purposes of this Condition 15:

"**N Covered Bond**" means a Registered Covered Bond in definitive form made out in the name of a specified N Covered Bondholder issued or to be issued by the Issuer, in the form of "*Namensschuldverschreibungen*" governed by German law (with certain provisions and parts of the documentation relating to the N Covered Bonds governed by English law) and having the N Covered Bond Conditions applicable to it annexed thereto;

"**N Covered Bond Conditions**" means the terms and conditions of each N Covered Bond;

"**N Covered Bondholder**" means the holder of an N Covered Bond;

"**Potential Issuer Event of Default**" means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute an Issuer Event of Default;

"**Potential LLP Event of Default**" means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute an LLP Event of Default;

"**Successor in Business**" means:

(a) a company or other entity to which the Issuer validly and effectually, in accordance with all enactments, orders and regulations in force for the time being and from time to time, as part of a transfer of the whole or substantially the whole of its business, undertaking or assets, transfers the whole or substantially the whole of its business, undertaking or assets for the purpose of such other company or entity assuming and conducting the business of the Issuer in its place and which company or other entity undertakes to fulfil the obligations of the Issuer under these presents; or

(b) any other entity which in acquiring in any other manner all or a substantial part of the undertaking, property and/or assets of the Issuer or in carrying on as a successor to the Issuer the whole or a substantial part of the business carried on by the Issuer prior thereto undertakes to fulfil the obligations of the Issuer under these presents,

where, in each of the cases in paragraphs (a) and (b) above, the terms of the proposed transaction have been previously approved by the Bond Trustee or by an Extraordinary Resolution of the Covered Bondholders; and

"**Series Reserved Matter**" in relation to Covered Bonds of a Series means:

(a) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds (except in accordance with Condition 15(b)(iii) (*Modifications and waivers*));

(b) alteration of the currency in which payments under the Covered Bonds and Coupons are to be made;

(c) alteration of the majority required to pass an Extraordinary Resolution;

(d) any amendment to the Covered Bond Guarantee or the Deed of Charge (except in a manner determined by the Bond Trustee not to be materially prejudicial to the interests the Covered Bondholders of any Series);

(e) except in accordance with Condition 15, the sanctioning of any such scheme or proposal for the exchange or sale of the Covered Bonds for or the conversion of the Covered Bonds into, or the cancellation of the Covered Bonds in consideration of, shares, stock, Covered Bonds, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, bonds, Covered Bonds, debentures, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash and for the appointment of some person with power on behalf of the Covered Bondholders to execute an instrument of transfer of the Registered Covered Bonds held by them in favour of the persons with or to whom the Covered Bonds are to be exchanged or sold respectively; and

(f) alteration of the proviso to paragraph 5 or paragraph 6 of Schedule 4 to the Trust Deed.

16. Indemnification of the Bond Trustee and/or Security Trustee and Bond Trustee and/or Security Trustee Contracting with the Issuer and/or the LLP

If, in connection with the exercise of its powers, trusts, authorities or discretions the Bond Trustee or the Security Trustee is of the opinion that the interests of the Covered Bondholders of any one or more Series would be materially prejudiced thereby, the Bond Trustee or the Security Trustee shall not exercise such power, trust, authority or discretion without the approval of such Covered Bondholders by Extraordinary

Resolution or by a direction in writing of such Covered Bondholders of at least 25 per cent. of the Principal Amount Outstanding of Covered Bonds of the relevant Series then outstanding.

The Trust Deed and the Deed of Charge contain provisions for the indemnification of the Bond Trustee and the Security Trustee and for their relief from responsibility, including provisions relieving them from taking any action unless indemnified and/or secured and/or pre-funded to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which each of the Bond Trustee and Security Trustee, respectively, is entitled, *inter alia*: (i) to enter into business transactions with the Issuer, the LLP and/or any of their respective Subsidiaries and affiliates and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the LLP and/or any of their respective Subsidiaries and affiliates; (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Covered Bondholders or Couponholders or the other Secured Creditors and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

Neither the Bond Trustee nor the Security Trustee will be responsible for any loss, expense or liability, which may be suffered as a result of any Mortgage Loans or Related Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Bond Trustee and/or the Security Trustee. Neither the Bond Trustee nor the Security Trustee will be responsible for: (i) supervising the performance by the Issuer or any other party to the Transaction Documents of their respective obligations under the Transaction Documents and the Bond Trustee and the Security Trustee will be entitled to assume, until they each have written notice to the contrary, that all such persons are properly performing their duties; (ii) considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents; (iii) monitoring the Mortgage Portfolio, including, without limitation, whether the Mortgage Portfolio is in compliance with the Asset Coverage Test or the Amortisation Test; or (iv) monitoring whether Mortgage Loans and Related Security satisfy the Eligibility Criteria. Neither the Bond Trustee nor the Security Trustee will be liable to any Covered Bondholder or other Secured Creditor for any failure to make or to cause to be made on their behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the Security and have no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents.

17. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Covered Bondholder or the Couponholders to create and issue further bonds having terms and conditions the same as the Covered Bonds of any Series or the same in all respects save for the amount and date of the first payment of interest thereon, issue date and/or purchase price and so that the same shall be consolidated and form a single Series with the outstanding Covered Bonds of such Series.

18. Limited Recourse

The Covered Bondholders agree with the LLP and the Security Trustee that, notwithstanding any other provision of any Transaction Document, all obligations of the LLP to the Covered Bondholders in respect of the secured obligations of the LLP owing to the Covered Bondholders are limited in recourse to the Charged Property and, upon the Security Trustee giving written notice to the Covered Bondholders that:

(a) it has determined in its sole opinion that there is no reasonable likelihood of there being any further realisations in respect of the Charged Property (whether arising from enforcement of the Security or otherwise) which would be available to pay amounts outstanding under the Transaction Documents; and

(b) all amounts available to be applied to pay amounts owing under the Transaction Documents have been so applied in accordance with the Transaction Documents,

the Covered Bondholders shall have no further claim against the LLP in respect of any amounts owing to them which remain unpaid and such unpaid amounts shall be deemed to be discharged in full.

19. Non-Responsive Rating Agency

(a) In respect of each Rating Agency, if a Ratings Confirmation is a condition to any action, step or matter under any Transaction Document and a written request for such Ratings Confirmation is delivered to that Rating Agency by or on behalf of the Issuer (copied to the Bond Trustee and the Security Trustee, as applicable) and:

(i) (A) that Rating Agency indicates that it does not consider a Ratings Confirmation necessary in the circumstances or otherwise declines to review the matter for which the Ratings Confirmation is sought (including as a result of the policy or practice of that Rating Agency) or (B) within 30 days of delivery of such request, that Rating Agency has not responded to the request for the Ratings Confirmation; and

(ii) the Issuer has otherwise received no indication from that Rating Agency that its then current ratings of the Covered Bonds would be reduced, qualified, withdrawn or put on negative watch as a result of such action, step or matter,

then (1) there shall be no requirement for the Ratings Confirmation from the Rating Agency if the Issuer provides to the Bond Trustee and the Security Trustee a certificate signed by a director of the Issuer (which certificate the Bond Trustee and the Security Trustee may rely upon absolutely) certifying and confirming that each of the events in paragraphs (i)(A) or (B) and (ii) above has occurred; and (2) none of the Issuer, the LLP, the Security Trustee nor the Bond Trustee shall be liable for any loss that Covered Bondholders may suffer as a result.

20. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of this Covered Bond under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

21. Governing Law and Jurisdiction

(a) *Governing Law*: The Trust Deed, the Agency Agreement, the Corporate Services Agreement, the Covered Bonds, the Coupons and the other Transaction Documents (other than each Scottish Declaration of Trust and certain documents to be granted pursuant to the Deed of Charge) and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law unless specifically stated to the contrary. Each Scottish Declaration of Trust and certain supplemental security documents to be granted pursuant to the Deed of Charge will be governed by, and construed in accordance with, Scots law.

(b) *Jurisdiction*: The parties to the Trust Deed have (i) irrevocably submitted to the exclusive jurisdiction of the English courts in any action or proceeding arising out of or in connection with the Trust Deed (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed), have agreed that all claims in respect of such action or proceeding may be heard and determined by such courts and (ii) waived, to the fullest extent it may possibly do so, any defence or claim that the English courts are an inconvenient forum for the maintenance or hearing of such action or proceeding.

FORM OF FINAL TERMS

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET - solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

UK MiFIR PRODUCT GOVERNANCE/ PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET - solely for the purposes of [the/each] manufacturer's product approval process the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (the "**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA ("**UK MiFIR**"); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

IMPORTANT – PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Regulation (EU) 2016/97 as amended (the "**EU Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making the Covered Bonds available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

[SINGAPORE SECURITIES AND FUTURES ACT PRODUCT CLASSIFICATION

Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 of Singapore as modified or amended from time to time (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Covered Bonds are

["prescribed capital markets products"]/[capital markets products other than "prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).][8]

[Date]

CLYDESDALE BANK PLC

Legal entity identifier (LEI): NHXOBHMY8K53VRC7MZ54

The trading name of Clydesdale Bank PLC is Virgin Money

Issue of Regulated [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds] irrevocably and unconditionally guaranteed as to payment of principal and interest by Eagle Place Covered Bonds LLP under the €10 billion Global Covered Bond Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated [date] [and the supplemental Prospectus dated [date]] which constitutes a base prospectus for the purposes of the Regulation (EU) 2017/1129 as amended and as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended, (the "**EUWA**") (the "**UK Prospectus Regulation**"). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of the UK Prospectus Regulation and must be read in conjunction with such Prospectus [and supplemental Prospectus] in order to obtain all the relevant information. Copies of the Prospectus [and the supplemental Prospectus] [is] [are] available free of charge to the public at the registered office of the Issuer and from the specified office of each of the Paying Agents and have been published on the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html.

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Covered Bonds (the "**Conditions**") set forth in the prospectus dated [●] (which have been incorporated by reference into the prospectus dated [●]) [and the supplemental prospectus[es] dated [●] and [●]], which [together] constitute[s] a base prospectus (the "**Prospectus**") for the purposes of the Regulation (EU) 2017/1129 as amended and as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended, (the "**EUWA**") (the "**UK Prospectus Regulation**"). This document constitutes the final terms of the Covered Bonds described herein for the purposes of the UK Prospectus Regulation and must be read in conjunction with the Prospectus in order to obtain all the relevant information. Copies of such Prospectus(es) is/are available free of charge to the public at the registered office of the Issuer and from the specified office of each of the Paying Agents and have been published on the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html.]

[The LLP is not now, and immediately following the issuance of the Covered Bonds pursuant to the Trust Deed will not be, a "covered fund" for purposes of regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended, commonly known as the "**Volcker Rule**". In reaching this conclusion, although other statutory or regulatory exemptions under the Investment Company Act of 1940, as amended, and under the Volcker Rule and its related regulations may be available, the LLP has relied on the exemption from registration set forth in Section 3(c)(5)(C) of the Investment Company Act of 1940, as amended. See "*Certain United States Regulatory Considerations*" in the Prospectus dated [●].]

1.	(i)	Issuer:	Clydesdale Bank PLC[9]
	(ii)	Guarantor:	Eagle Place Covered Bonds LLP
2.	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]

[8] To be included if the issuance is targeted to investors who are not (i) institutional investors or (ii) accredited investors in Singapore.
[9] The trading name of Clydesdale Bank PLC is Virgin Money.

	(iii)	Series which Covered Bonds will be consolidated and form a single Series with:	[●]/[Not Applicable]
	(iv)	Date on which the Covered Bonds will be consolidated and form a single Series with the Series specified above:	[●]/[Issue Date]/[Not Applicable]
3.	Specified Currency or Currencies:		[●]
4.	[Nominal Amount of Covered Bonds to be issued:]		[●]
5.	Aggregate Nominal Amount of the Covered Bonds Admitted to trading:		
	(i)	[Series:	[●]]
	(ii)	[Tranche:	[●]]
6.	Issue Price:		[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
7.	(i)	Specified Denominations:	[●]/ €100,000 and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Covered Bonds in definitive form will be issued with a denomination above [€199,000].)]
	(ii)	Calculation Amount:	[●]
8.	(i)	Issue Date:	[●]
	(ii)	Interest Commencement:	[●][Issue Date]/[Not Applicable]
9.	(i)	Final Maturity Date:	(Interest Payment Date falling in or nearest to [●]]
	(ii)	Extended Due for Payment Date of Guaranteed Amounts corresponding to the Final Redemption Amount under the Covered Bond Guarantee:	[[●]/[Interest Payment Date falling in or nearest to [●]/[Not Applicable]
10.	Interest Basis:		[[●] per cent. Fixed Rate] [EURIBOR/Compounded Daily SONIA/SARON] [+/- [●] per cent.] [Floating Rate] [Zero Coupon] [Combination] (see further paragraph[s] [●] [and [●]] below).
11.	Redemption/Payment Basis:		[●] per cent. of the nominal value
12.	Change of Interest Basis or Redemption/Payment Basis:		[●]/[in accordance with paragraphs [15] and [16] below]
13.	Call Options:		[Issuer Call]/[Not Applicable]

14.	[Date of board of directors approval for issuance of Covered Bonds and Covered Bond Guarantee obtained:		[●] and [●]]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Covered Bond Provisions:		[Applicable/Not Applicable]
	(i)	Fixed Rate(s) of Interest:	[●] per cent. per annum payable in arrear on each Interest Payment Date
	(ii)	Interest Payment Date(s):	[●] in each year up to and including the [Final Maturity Date] [Extended Due for Payment Date, if applicable]/ (provided however that after the Extension Determination Date, the Interest Payment Date shall be [monthly])
	(iii)	Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(iv)	Business Day(s):	[●]
		Additional Business Centre(s):	[Not Applicable], [●]
	(v)	Fixed Coupon Amount(s):	[●] per Calculation Amount
	(vi)	Initial Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]/[Not Applicable]
	(vii)	Final Broken Amount:	[●]
	(viii)	Day Count Fraction:	[30/360 or Actual/Actual (ICMA) or [●]]
	(ix)	Interest Determination Date(s):	[[●] in each year]/[Not Applicable]
16.	Floating Rate Covered Bond Provisions:		[Applicable/Not Applicable]
	(i)	Specified Period(s)/Specified Interest Payment Date(s):	[●] (provided however that [prior to the Extension Determination Date,][the Specified Interest Payment Date shall be no more frequent than quarterly][, and provided further that] [after the Extension Determination Date, the Interest Payment Date shall be [monthly][quarterly]]) The first Interest Payment Date shall be [●].
	(ii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(iii)	Additional Business Centre(s):	[Not Applicable], [●]
	(iv)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
	(v)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent):	[●]
	(vi)	Screen Rate Determination:	[Applicable/Not Applicable]

	–	Reference Rate and Relevant Financial Centre:	Reference Rate: [Compounded Daily SONIA/SARON] / [●] month [[*Currency*] EURIBOR] Relevant Financial Centre: [London/Zurich/Brussels]
	–	Interest Determination Date(s):	[●][T2/[●]] Business Days [in [●]] prior to the [●] day in each Interest Period/each Interest Payment Date][The [first/[●]] London Banking Day falling after the last day of the relevant Observation Period] [●]
	–	Relevant Screen Page:	[●] [Not Applicable]
	–	SONIA Lag Period (*p*)	[5 / [●] London Banking Days][Not Applicable]
	–	Observation Method	[Lag][Lock-out][Shift][Not Applicable]
	–	SARON Observation Look-Back Period	[5 / [●] Zurich Banking Days][Not Applicable] [*If applicable, must not be less than 5 Zurich Banking Days*]
	–	Index Determination	[Applicable]/[Not Applicable] *[Where Observation Method "Shift" is selected, the Index Determination should be specified as "applicable"]*
(vii)	ISDA Determination:		[Applicable/Not Applicable]
	–	Floating Rate Option:	[●]
	–	Designated Maturity:	[●]
	–	Reset Date:	[●]
(viii)	Margin(s):		[+/-] [●] per cent. per annum.
(ix)	Minimum Rate of Interest:		[●] per cent. per annum
(x)	Maximum Rate of Interest:		[●] per cent. per annum
(xi)	Day Count Fraction:		[Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 360/360 Bond Basis 30E/360 Eurobond Basis] [●]
(xii)	Calculation Agent		[●]/[Not Applicable] [*"Not Applicable" should be selected unless a Calculation Agent is specifically appointed*]
17.	Zero Coupon Covered Bond Provisions:		[Applicable/Not Applicable]
(i)	Accrual Yield:		[●] per cent. per annum

	(ii)	Reference Price:	[●]
	(iii)	Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(iv)	Business Day(s):	[●]
	(v)	Additional Business Centre(s):	[Not Applicable], [●]
	(vi)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Condition [●] applies]

PROVISIONS RELATING TO REDEMPTION BY THE ISSUER

18.	Issuer Call:		[Applicable/Not Applicable]
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[●] per Calculation Amount]
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[●]
		(b) Higher Redemption Amount:	[●]
19.	Final Redemption Amount:		[Nominal Amount/[●] per Calculation Amount]
20.	Early Redemption Amount payable on redemption for taxation reasons, on acceleration following an Issuer Event of Default or an LLP Event of Default		[[●] per Calculation Amount]

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

21.	New Global Covered Bond:	[Yes][No]
22.	Form of Covered Bonds:	[Bearer Covered Bonds: [Temporary Global Covered Bond exchangeable for a Permanent Global Covered Bond which is exchangeable for Bearer Definitive Covered Bonds in definitive form only after an Exchange Event] [Temporary Global Covered Bond exchangeable for Bearer Definitive Covered Bonds only after an Exchange Event] [Permanent Global Covered Bond exchangeable for Bearer Definitive Covered Bonds in definitive form only after an Exchange Event] Registered Covered Bonds: [Regulation S Global Covered Bond (U.S.$[●] nominal amount) registered in the name of a nominee

		for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg]] [Rule 144A Global Covered Bond (U.S.$[●] nominal amount) registered in the name of a nominee for [DTC/ a common depositary for Euroclear and Clearstream, Luxembourg]]
23.	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper] [include this text for Registered Covered Bonds which are to be held under the NSS] and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Covered Bonds are capable of meeting them the Covered Bonds may then be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper] [include this text for Registered Covered Bonds]. Note that this does not necessarily mean that the Covered Bonds will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]
24.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[●]/ Not Applicable]
25.	Talons for future Coupons to be attached to Bearer Definitive Covered Bonds (and dates on which such Talons mature):	[Yes, as the Covered Bonds have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupons payments are still to be made]/[No]

PART B – OTHER INFORMATION

1.	**LISTING AND ADMISSION TO TRADING**	
	(i) Admission to Trading:	[Application has been made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on the main market of the London Stock Exchange and to the Official List of the FCA with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on the main market of the

London Stock Exchange and to the Official List of the FCA with effect from [●].] [Not Applicable.]

(ii) Estimate of total expenses related to admission to trading: [●]

2. **RATINGS**

The Covered Bonds to be issued [have [not] been/are expected to be] rated[:

[Fitch Ratings Limited ("**Fitch**"): [●]
(endorsed by Fitch Ratings Ireland Limited)]

["**Moody's Investor Service Ltd"** ("**Moody's**"): [●]
(endorsed by Moody's Deutschland GmbH)]

[[Other]: [●]]

[Each of] [Fitch] [and [Moody's] is established in the UK and are registered in accordance with Regulation (EC) No. 1060/2009 as it forms part of UK domestic law by virtue of the EUWA (the "**UK CRA Regulation**")]].

There is no assurance that the Rating Agencies will rate the Covered Bonds up to their Final Maturity Date.

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]

(The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

3. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]**

[Save for the fees [of [*insert relevant fee disclosure*]] payable to the Dealers, so far as the Issuer and the LLP are aware, no person involved in the offer of the Covered Bonds has an interest material to the offer. The Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and/or the LLP and/or its or their affiliates in the ordinary course of business.]

4. **[*Fixed Rate Covered Bonds only* – YIELD**

Indication of yield: [●]

[The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

5. **OPERATIONAL INFORMATION**

(i) ISIN: [●]

(ii) CUSIP: [●] [Not Applicable]

(iii) Common Code: [●]

(iv) [FISN [[●], as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible

		National Numbering Agency that assigned the ISIN/Not Applicable]
(v)	[CFI Code	[[●], as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable]
(vi)	Any clearing system(s) other than Euroclear and/or Clearstream, Luxembourg and the relevant identification number(s):	[●] [Not Applicable]
(vii)	Delivery:	Delivery [against/free of] payment
(viii)	Names and addresses of additional Paying Agent(s) (if any):	[●]
(ix)	[Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] / [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Covered Bonds are capable of meeting them the Covered Bonds may then be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper]. Note that this does not necessarily mean that the Covered Bonds will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]
(x)	Relevant Benchmark[s]:	[[*Specify benchmark*] is provided by [*administrator legal name*]]. As at the date hereof, [*administrator legal name*] [appears] / [does not appear] in the register of administrators and benchmarks established and maintained by the Financial Conduct Authority pursuant to Article 36 of the UK Benchmarks Regulation] / [As far as the Issuer is aware, as at the date hereof, [*specify benchmark*] does not fall within the scope of the UK Benchmarks Regulation] / [Not Applicable].

6. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

	(i)	Reasons for the offer	[See ["*Use of Proceeds*"] in the Prospectus/*Give details*]] (*See ["Use of Proceeds"] wording in* Prospectus – *if reasons for offer different from what is disclosed in the Prospectus, give details*.)
	(ii)	Estimated net proceeds:	[●] (*If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.*)

7. **DISTRIBUTION**

(i)	Method of Distribution:		[Syndicated/Non-syndicated]
(ii)	If syndicated:		
	(a)	Names of Dealers:	[●]
	(b)	Stabilising Manager(s) (if any):	[Not Applicable/[●]]
(iii)	If non-syndicated, name of Dealer:		[Not Applicable/[●]]
(iv)	U.S. Selling Restrictions		Reg. S Compliance Category 2; - [TEFRA C/TEFRA D/TEFRA not applicable] – [Not] Rule 144A Eligible

Signed on behalf of the Issuer:	Signed on behalf of the LLP:
By:	By:
Duly authorised	Duly authorised

USE OF PROCEEDS

The net proceeds from each issue of Covered Bonds will be used by the Issuer to make available Term Advances to the LLP pursuant to the terms of the Intercompany Loan Agreement, which in turn shall be used by the LLP (after swapping the proceeds of the Term Advances into Sterling, if necessary):

(a) to purchase Mortgage Loans and their Related Security from the Seller in accordance with the terms of the Mortgage Sale Agreement; and/or

(b) to invest in Substitution Assets in an amount not exceeding the prescribed limit,

to the extent required to meet the requirements of Regulations 23 and 24(1)(a) of the RCB Regulations and the Asset Coverage Test (as described below), and thereafter may be applied by the LLP:

(i) to purchase Mortgage Loans and their Related Security, from the Seller in accordance with the terms of the Mortgage Sale Agreement; and/or

(ii) to invest in Substitution Assets in an amount not exceeding the prescribed limit; and/or

(iii) subject to complying with the Asset Coverage Test, to make a Capital Distribution to the Seller (in its capacity as Member) by way of distribution of that Member's equity in the LLP in an amount equal to the Sterling Equivalent of the Term Advance or any part thereof, which shall be paid to the Member on the relevant Issue Date by telegraphic transfer or as otherwise directed by the Member; and/or

(iv) if an existing Series or Tranche, or part of an existing Series or Tranche, of Covered Bonds is being refinanced (by the issue of a further Series or Tranche of Covered Bonds), to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced; and/or

(v) to make a deposit of all or part of the proceeds in the Transaction Account (including, without limitation, to fund the Reserve Fund to an amount not exceeding the prescribed limit) or the Issuer Account (in an amount not exceeding the Issuer Permitted Cash Amount).

INFORMATION ON THE ISSUER

Corporate Structure

The Issuer is a public limited company registered with the Registrar of Companies in Scotland under registration number SC001111. The registered office of the Issuer is 177 Bothwell Street, Glasgow, Scotland G2 7ER. Its telephone number is +44 (0)141 248 7070. The Issuer was established in 1838, was registered as a public limited company on 11 January 1982 and changed its name to Clydesdale Bank PLC on 16 December 2005. On 21 October 2019, substantially all of the business, operations, assets, liabilities and obligations of Virgin Money plc (now Virgin Money Limited) were transferred to the Issuer, pursuant to a transfer under Part VII of the FSMA.

On 1 October 2024, Nationwide acquired the entire issued and to be issued share capital of VMUK by means of a scheme of arrangement under Part 26 of the Companies Act 2006 which was sanctioned by the High Court of Justice of England and Wales (the "**Acquisition**"). As a result, the ordinary shares of VMUK were de-listed from the Official List and trading of the ordinary shares of VMUK on the London Stock Exchange and the Australian Securities Exchange was cancelled. Nationwide is now the ultimate parent entity of the Issuer and the Group. As a consequence of the Acquisition and in line with other entities in the Group, on 1 October 2024, the Issuer extended its accounting reference period ending 30 September 2024 to 31 March 2025 (with subsequent periods ending on 31 March in future years).

Following the Acquisition, and in the medium term, the Group will continue to operate as a separate group within the Nationwide Group, with a separate board of directors and a separate banking licence held by the Issuer.

The Issuer is a retail and business bank and offers a diverse range of personal and business financial products across the UK, under the trading names "Virgin Money", "Clydesdale Bank" and "Yorkshire Bank". The Issuer operates through a network of stores, contact centres and relationship managers, as well as through digital banking services.

The Issuer's long-term corporate locations are centred around two key locations in Glasgow and Gosforth, which are supported by various regional locations.

The Issuer has no material operations outside the UK. The Issuer is authorised by the Prudential Regulation Authority ("**PRA**") and regulated by the Financial Conduct Authority ("**FCA**") and the Prudential Regulation Authority, Financial Services Register No 121873.

Overview

Headquartered in Glasgow, the Group is a retail and business bank and offers a diverse range of personal and business financial products.

History of the Group

Set out below are certain key milestones in the Group's development:

1838 - The Issuer is founded in Glasgow, Scotland.

1859 - Yorkshire Bank is founded in Halifax, West Yorkshire, England.

1877 - The Issuer establishes a presence in London.

1911 - Yorkshire Bank incorporates as The Yorkshire Penny Bank Limited.

1920 - Midland Bank buys the Issuer.

1987 - National Australia Bank ("**NAB**") acquires the Issuer.

1990 - NAB acquires Yorkshire Bank.

2001 - The Issuer and Yorkshire Bank's banking licences are merged pursuant to the National Australia Group Europe Act 2001, a UK Private Act of Parliament. In 2004, the Issuer assumed all assets, rights, liabilities and obligations of Yorkshire Bank.

2012 - Virgin Money Holdings (UK) Limited acquired the entire issued share capital of Northern Rock plc from HMT. As a result, Northern Rock plc became part of the Virgin Money Holdings (UK) Limited Group and was renamed Virgin Money plc.

2014 - Virgin Money Holdings (UK) Limited was re-registered as a public limited company and listed on the London Stock Exchange via an initial public offering.

2016 - Successful conclusion of the Group's demerger from NAB and the initial public offering of VMUK (as CYBG PLC).

2018 - VMUK (as CYBG PLC) acquired Virgin Money Holdings (UK) plc ("**VMH**"). As a result, VMH was delisted from the London Stock Exchange and Virgin Money plc became a subsidiary of VMUK.

2019 - The Court of Session in Edinburgh approved a banking business transfer scheme under Part VII of the FSMA and the business of Virgin Money plc was transferred to the Issuer. On 30 October 2019, VMUK changed its name from CYBG PLC to Virgin Money UK PLC and its registered office address to Jubilee House, Gosforth, Newcastle-upon-Tyne, NE3 4PL.

2020 – Rebranding was executed.

2024 – Nationwide completed the acquisition of Virgin Money for £2.9 billion cash. As a result, the ordinary shares of VMUK were de-listed from the Official List and trading of the ordinary shares of VMUK on the London Stock Exchange and the Australian Securities Exchange was cancelled.

RECENT FINANCIAL PERFORMANCE

The Group

References to the Group financial information below are to the consolidated financial information of the Group.

As at 30 September 2024, the Group had total assets of £89,783 million (FY23: £91,786 million) of which £71,296 million (FY23: £72,754 million) was lending to customers. The customer lending comprised of £55,116 million (FY23: £57,497 million) of mortgages, £6,798 million (FY23: £6,519 million) of personal lending and £9,382 million (FY23: £8,738 million) of business lending, which includes £387 million (FY23: £625 million) under UK Government schemes.

Total customer deposits as at 30 September 2024 were £69,423 million (FY23: £66,609 million). This comprised of £38,235 million (FY23: £35,394 million) of relationship (current account and linked savings) deposits, £11,315 million (FY23: £9,741 million) of non-linked savings and £19,873 million (FY23: £21,474 million) of term deposits.

As at 30 September 2024, overall balance sheet provisions remained robust at £606 million (FY23: £617 million) with the aggregate coverage level stable at 84bps (FY23: 84bps).

On a statutory basis, profit on ordinary activities before tax was £558 million for the 12-month period ended 30 September 2024 (FY23: £345 million). Net interest income was £1,763 million (FY23: £1,687 million) and non-interest income was £158 million (FY23: £140 million), resulting in a total operating income for the 12-month period ended 30 September 2024 of £1,921 million (FY23: £1,827 million). Total operating and administrative expenses were £1,186 million (FY23: £1,173 million), leading to an operating profit before impairment losses of £735 million (FY23: £654 million) and a statutory cost-to-income ratio for the 12-month period ended 30 September 2024 of 61.7 per cent. (FY23: 64.2 per cent.). The statutory impairment charge on credit exposures for the 12-month period ended 30 September 2024 was £177 million (FY23: £309 million). For the 12-month period ended 30 September 2024, the statutory return on tangible equity (RoTE) was 6.7 per cent. (FY23: 3.9 per cent.).

Excluding notable items, profit on ordinary activities before tax was £719 million for the 12-month period ended 30 September 2024 (FY23: £593 million). Excluding notable items, net interest income was £1,778 million (FY23: £1,716 million) and non-interest income was £146 million (FY23: £157 million), resulting in a total operating income for the 12-month period ended 30 September 2024 of £1,924 million (FY23: £1,873 million). Excluding notable items, net interest margin was 1.98 per cent. (FY23: 1.91 per cent.). Excluding notable items, total operating and administrative expenses for the 12-month period ended 30 September 2024 were £1,028 million (FY23: £971 million), leading to an operating profit before impairment losses of £896 million (FY23: £902 million) and an adjusted cost-to-income ratio of 53.0 per cent. (FY23: 51.9 per cent.). Excluding notable items,

the impairment charge on credit exposures for the 12-month period ended 30 September 2024 was £177 million (FY23: £309 million).

The Group's employee engagement score, as measured by the Group's annual independent employee survey, was 77 per cent. during the twelve-month period ended 30 September 2024 (FY23: 80 per cent.).

The Issuer

References to the Issuer financial information below are to the consolidated financial information of the Issuer.

As at 30 September 2024, the Issuer had total assets of £89,902 million (FY23: £91,884 million), total customer loans of £71,296 million (FY23: £72,754 million), total customer deposits of £69,423 million (FY23: £66,609 million) and total equity of £5,548 million (FY23: £5,689 million).

On a statutory basis, statutory profit on ordinary activities before tax was £595 million for the 12-month period ended 30 September 2024 (FY23: £344 million). Net interest income was £1,757 million (FY23: £1,686 million) and non-interest income was £158 million (FY23: £140 million), resulting in a total operating income of £1,915 million for the 12-month period ended 30 September 2024 (FY23: £1,826 million). For the 12-month period ended 30 September 2024, total operating and administrative expenses were £1,143 million (FY23: £1,173 million) and the statutory impairment loss on credit exposures was £177 million (FY23: £309 million).

Excluding notable items, profit on ordinary activities before tax was £716 million for the 12-month period ended 30 September 2024 (FY23: £593 million). Net interest income was £1,775 million (FY23: £1,715 million) and non-interest income was £146 million (FY23: £158 million), resulting in a total operating income of £1,921 million for the 12-month period ended 30 September 2024 (FY23: £1,873 million). For the 12-month period ended 30 September 2024, total operating and administrative expenses were £1,028 million (FY23: £971 million). Excluding notable items, the underlying impairment loss on credit exposures was £177 million (FY23: £309 million) for the 12-month period ended 30 September 2024.

Mortgages

The Issuer's core lending activity is the provision of residential mortgages to individuals secured on residential properties located in the UK and represented 77 per cent. of total customer lending as at 30 September 2024 (FY23: 79 per cent.). The primary distribution channel for mortgages is through intermediary partners, supplemented by direct distribution.

Mortgage balances reduced by 4.1 per cent. to £55,116 million as at 30 September 2024 (FY23: £57,497 million), giving a mortgage stock share of 3.4 per cent. (FY23: 3.5 per cent.).[10]

The Issuer saw a reduction in gross lending in the year to £5.6 billion (FY23: £7.9 billion), as the Issuer has focused on optimising lending to segments offering higher risk-adjusted returns, such as BTL.

The weighted average indexed LTV of the portfolio was 54.6 per cent. as at 30 September 2024 (FY23: 52.9 per cent.). As at 30 September 2024, 87.5 per cent. (FY23: 91.1 per cent.) of the Issuer's mortgage portfolio had an indexed LTV of 75 per cent. or less, based on value. As at 30 September 2024, 1.3 per cent. (FY23: 0.5 per cent.) of the Issuer's mortgage portfolio had an indexed LTV in excess of 90 per cent., based on value.

During the 12-month period ended 30 September 2024, the Issuer's mortgage portfolio continued to perform well. As at 30 September 2024, owner occupied loans over three months in arrears were 0.74 per cent. of the book (FY23: 0.66 per cent.), compared to the UK Finance industry average of 0.97 per cent. (FY23: 0.87 per cent.) and buy-to-let loans over three months in arrears were 0.47 per cent. of the book (FY23: 0.37 per cent.), compared to the UK Finance industry average of 0.76 per cent. (FY23: 0.60 per cent.). A reduction in modelled provisions was supplemented by a reduction in Model Adjustments, resulting in an impairment release in the income statement of £(5) million (FY23: charge of £2 million) and associated cost of risk of (1)bps for the period (FY23: 0bps). Total book provision coverage has decreased to 9bps (FY23: 10bps).

During the financial year to 30 September 2024, the Issuer's bespoke customer service measure (Virgin Money Customer Smile Score) was measured at 57 per cent. (FY23: 49 per cent.).

[10] Derived from published BofE data.

Strategy of the Issuer

The strategy seeks to balance the needs of all the Issuer's stakeholders including customers, colleagues, regulators, the Nationwide Group and society. For example. UK consumers and businesses have shown a growing preference for a robust digital experience. Following the acquisition of VMUK by Nationwide, the Issuer's baseline strategy is expected to remain the same in the near-term. Nevertheless, tactical strategic priorities are being updated in line with CEO priorities and engagement with Nationwide. After completion of an 18-month review by Nationwide, Virgin Money's strategy may evolve in line with the Nationwide Group's strategy.

The strategic ambition is underpinned by four strategic pillars (listed below):

1. ***Pioneering growth –*** Its unique brand and straightforward, digitally accessible products with market-defining loyalty rewards help attract and retain digitally-savvy target customers.

2. ***Delighted customers and colleagues*** – Delighting customers by delivering outstanding experiences through digital-first interactions supported by delighted colleagues working in a healthy, flexible, digitally-led environment.

3. ***Super straightforward efficiency –*** The Issuer leverages technology to drive efficiency and effectiveness, enabling it to invest back in its customers and deliver strong financial results.

4. ***Discipline and sustainability*** – Building and operating the bank for the long term, creating positive outcomes for its customers and all its stakeholders on a consistent and sustainable basis.

The Issuer's strategic priorities are aligned to its sustainability goals:

1. ***Put our (carbon) foot down*** – Reduce the negative impacts of its operations, suppliers and partners on society and the environment.

2. ***Building a brighter future*** – Deliver innovative products and services that help its customers make a positive impact on society and the environment.

3. ***Open doors*** – Work with customers, colleagues and communities to encourage sustainable practices and economic activity that creates shared prosperity.

4. ***Straight-up ESG*** – Align its strategic goals to ESG and embed them in all areas of the business with robust targets, tracking and disclosures.

During the year ended 30 September 2024, the Issuer has continued to deliver on its strategic ambitions albeit with some decisions impacted by the Acquisition. This includes investing further into its digital capabilities such as further improvements to the Redi chatbot to strengthen containment and developments to the Single App for PCA customers. Further, the Issuer remains committed towards delighting its customers and meeting the regulatory requirements of the Consumer Duty framework. The Issuer continues to invest in its operations and technology functions to digitize further and improve efficiencies as well as launch new and innovative commercial products e.g. M Power (youth account). The Group licenses the "Virgin" and "Virgin Money" names and brands (which it does not own) from Virgin Enterprises under the Brand Licence Agreement (see "*The Issuer may lose the right to use the "Virgin" and "Virgin Money" brands (which it does not own)*"). The Issuer seeks to leverage the power of the Virgin brand and its unique values, which resonate with customers, as a key source of driving value and to help fulfil its purpose of "making you happier about money" with customers. The Group pays annual licence fees to Virgin Enterprises for its use of the Virgin brand and has commercial arrangements with other Virgin Group companies. Per the Brand Licence Agreement, the Issuer plans to spend over £20 million per year from FY25 to promote the Virgin brand which will be achieved through investing further in improving customer service.

OTHER RELEVANT INFORMATION

Capital

The Issuer seeks to maintain a robust capital base which meets its regulatory requirements, supports the business and provides the capacity to deliver the Issuer's strategy.

On an IFRS 9 transitional basis, as at 30 September 2024, based on Risk Weighted Assets of £26,600 million (FY23: £25,172 million), the Issuer's capital position was:

- Common Equity Tier 1 ratio of 13.6 per cent. (FY23: 14.6 per cent.);
- Total Capital Ratio of 19.1 per cent. (FY23: 21.1 per cent.);
- Tier 1 Capital Ratio of 16.2 per cent. (FY23: 17.0 per cent.); and
- UK Leverage Ratio of 5.1 per cent. (FY23: 4.9 per cent.).

The Issuer's IFRS 9 transitional MREL ratio of 28.8 per cent. as at 30 September 2024 (FY23: 31.8 per cent.) exceeded its end-state MREL requirement.

On an IFRS 9 fully loaded basis, as at 30 September 2024, based on Risk Weighted Assets of £26,571 million (FY23: £25,083 million), the Issuer's capital position was:

- Common Equity Tier 1 ratio of 13.5 per cent. (FY23: 14.2 per cent.);
- Total Capital Ratio of 19.0 per cent. (FY23: 20.7 per cent.);
- Tier 1 Capital Ratio of 16.1 per cent. (FY23: 16.6 per cent.); and
- UK Leverage Ratio of 5.1 per cent. (FY23: 4.8 per cent.).

Liquidity

The Issuer maintains a liquid asset portfolio that is primarily comprised of cash held at the BoE, UK Government securities (Gilts) and listed securities (e.g. bonds issued by supranationals and AAA rated covered bonds).

The volume and quality of the Issuer's liquid asset portfolio is considered through a series of internal stress tests across a range of time horizons and stress conditions. The Issuer's liquid assets are calibrated to the Board of Directors' view of liquidity risk appetite and remain at a prudent level above regulatory requirements.

As at 30 September 2024, the Issuer held unencumbered liquid assets of £14,081 million (FY23: £14,219 million), a liquidity coverage ratio of 157 per cent. (FY23: 146 per cent.) and a net stable funding ratio of 138 per cent. (FY23: 136 per cent.), all ratios quoted based on monthly rolling averages over the previous 12 months.

Funding

The Issuer is predominantly funded by retail and business customer deposits, augmented with funding from a number of well-established wholesale funding programmes (including RMBS securitisation programmes and this covered bond programme). As a result of the Acquisition, going forward, all new AT1, Tier 2 and MREL-eligible senior instruments will be issued by Nationwide. Down-streaming arrangements will be in place to ensure appropriate capital levels in the Issuer (and VMUK).

The Issuer is a participant in the BoE Sterling Monetary Framework. Following its launch in April 2020 until scheme closure in October 2021, the Issuer accessed funding from the TFSME scheme, which was established to provide cost-effective funds to banks to support additional lending to the real economy and incentivise lending to SMEs during a period of economic disruption caused by COVID-19.

During the 12-month period ended 30 September 2024, the Issuer repaid £3,250 million (FY23: £1,000 million) of TFSME scheme drawings reducing the total principal amount outstanding to £2,950 million (FY23: £6,200 million).

Total wholesale funding reduced to £12,261 million as at 30 September 2024 (FY23: £16,680 million), as the completion of new RMBS and MREL Senior transactions was offset by redemptions and TFSME scheme repayments. The Issuer's Loan-to-Deposit Ratio as at 30 September 2024 was 103 per cent. (FY23: 109 per cent.).

RATINGS

As at the date of this Prospectus, the long-term Issuer Default Rating assigned to the Issuer by Fitch was A- and the Issuer Credit Rating assigned to the Issuer by S&P was A. The Issuer also has a Preliminary Senior Debt Rating of A1 from Moody's.

ALTERNATIVE PERFORMANCE MEASURES

Certain alternative performance measures ("**APMs**") are included or referred to in this Prospectus (including in the information incorporated by reference). APMs are non-IFRS measures used to supplement disclosures prepared in accordance with other applicable regulations such as IFRS. The Issuer considers that these APMs provide useful information to enhance the understanding of their financial performance. The APMs should be viewed as complementary to, rather than a substitute for, the figures determined according to other regulatory measures. APMs can be calculated on either a statutory or an 'excluding notable items' basis. Previously, items adjusted from the Issuer's statutory position resulted in an 'underlying basis' of performance. The Issuer no longer presents results on an underlying basis, moving instead to a statutory presentation of its income statement, whilst still providing details of notable items of income and expenditure. An explanation of the components and calculation method of each such APM relating to the Issuer can be found on page 73 of the September 2024 Issuer Interim Financial Report "*Measuring financial performance – glossary*" (which are incorporated by reference as more fully set out on page 10 of this Prospectus). In addition, the definition of the following APMs referred to in this Prospectus are set out below:

Term	Definition
Net interest margin (NIM)	Net interest income (excluding notable items) as a percentage of average interest earning assets for a given year. Net interest income (excluding notable items) is divided by average interest earning assets for a given year (which is adjusted to exclude short-term repos used for liquidity management purposes).
Statutory cost to income ratio	Statutory operating and administrative expenses as a percentage of statutory total operating income for a given year.
Statutory return on tangible equity (RoTE)	Statutory profit after tax attributable to ordinary equity holders as a percentage of average tangible equity (average total equity less intangible assets and AT1) for a given year.
Adjusted Cost to income ratio	Operating and administrative expenses as a percentage of total operating income for a given year. Adjusted to exclude all notable items, the new BoE Levy recognised in the 12 months to 30 September 2024 and the interest income generated from the return of the Cash Ratio Deposit funds.

DIRECTORS OF THE ISSUER

The Directors of the Issuer, whose business address is 177 Bothwell Street, Glasgow, Scotland G2 7ER, their functions in relation to the Issuer and their principal outside activities (if any) of significance to the Issuer are as set out below.

Name	Position	Principal directorships / outside activities
David Bennett	Board Chair	Nationwide Building Society
		Allfunds Group plc
		Paypal (Europe) S.à.r.l et Cie S.C.A.
		PayPal UK Ltd
		Non-executive board member of The Department for Work & Pensions
Chris Rhodes	Executive Director and Chief Executive Officer	None
Clifford Abrahams*	Executive Director and Chief Financial Officer	None
Tim Wade	Senior Independent Non-Executive Director	QBE Europe SA/NV
		QBE Underwriting Limited
		QBE UK Limited
		RBC Europe Limited
		Clearbank Group Holdings Limited
Lucinda Charles-Jones	Non-Executive Director	The Rank Group
		Business in the Community
Petra van Hoeken	Independent Non-Executive Director	de Volksbank
		Nordea Bank
		Oranje Fonds
		Advisor to the Dutch Ministry of Economic Affairs & Climate
		Member of the Donations Review Committee of the Leiden University
		Foundation for the holding and administration of shares under the Royal Dutch Shell employee share plans
		Female Cancer Foundation
Elena Novokreshchenova	Independent Non-Executive Director	Global CEO of Freemium at DAZN Limited

None of the Directors has any potential conflicts of interests between their duties to the Issuer and their private interests or other duties. Under the Brand Licence Agreement, Virgin Enterprises is entitled to appoint an observer at the Board ("**Board Observer"**). Robert Blok is the current Board Observer.

*On 30 October 2024, it was announced that Clifford Abrahams will step down from his position to pursue a new opportunity at another organisation. Clifford will remain as Chief Financial Officer and Executive Director of the Issuer until 15 December 2024, when Gergely Zaborszky will become an Executive Director and assume the role of Chief Financial Officer, subject to regulatory approval.

THE LLP

Introduction

The LLP was incorporated in England and Wales on 27 July 2016 as a limited liability partnership (partnership number OC412988) with limited liability under the LLPA 2000. Its Members are Clydesdale Bank PLC and the Liquidation Member. The principal place of business of the LLP is at Jubilee House, Gosforth, Newcastle upon Tyne NE3 4PL (telephone number: +44 (0)34 5600 8401). The LLP has no subsidiaries. On 1 October 2024, as a consequence of the Acquisition and in line with other entities in the Group, the LLP extended its accounting reference period ending 30 September 2024 to 31 March 2025 (with subsequent periods ending on 31 March in future years).

Principal Activities

The principal objects of the LLP are set out in the LLP Deed and include, *inter alia*, the ability to carry on the business of acquiring the Mortgage Loans and their Related Security pursuant to the terms the Mortgage Sale Agreement with a view to profit and to do all such things as are incidental or conducive to the carrying on of that business and to borrow money.

The LLP has not engaged since its incorporation, and will not engage whilst the Covered Bonds or any Term Advance remains outstanding, in any material activities other than activities incidental to its incorporation under the LLPA 2000, activities contemplated under the Transaction Documents to which it is or will be a party, filing a notification under the Data Protection Act 1998 and other matters which are incidental or ancillary to the foregoing.

Members

The members of the LLP as at the date of this Prospectus are and their principal offices are:

Name	*Principal Office*
Clydesdale Bank PLC	177 Bothwell Street, Glasgow, Scotland G2 7ER
Liquidation Member	1 Bartholomew Lane, London, EC2N 2AX

The LLP has no employees.

Directors of the Members

The following table sets out the directors of the Liquidation Member and their respective business addresses and occupations.

Name	*Business Address*	*Business Occupation*
Intertrust Directors 1 Limited	1 Bartholomew Lane, London, EC2N 2AX	Corporate Director
Intertrust Directors 2 Limited	1 Bartholomew Lane, London, EC2N 2AX	Corporate Director
Raheel Khan	1 Bartholomew Lane, London, EC2N 2AX	Director

The directors of Clydesdale Bank PLC are set out under "*Information on the Issuer – Directors of the Issuer*" above.

The directors of Intertrust Directors 1 Limited and Intertrust Directors 2 Limited are set out below.

No potential conflicts of interest exist between any duties to the LLP of the members of the LLP (who are listed in the table above) and their private interests or other duties in respect of their management roles.

LLP Management Committee

The "**Management Committee**", consisting as at the date of this Prospectus of directors, officers and/or employees of Clydesdale Bank PLC and the Liquidation Member, will act on behalf of the LLP and to which (other than any decision to approve the audited accounts of the LLP or to make a resolution for the voluntary winding-up of the LLP, which require a unanimous decision of the Members) the Members delegate all matters.

Any decision by the Management Committee relating to the admission of a New Member, any change in the LLP's business, any change to the LLP's name and any amendment to the LLP Deed, will be made, whilst any Covered Bonds are outstanding, with the consent of the Security Trustee.

Directors of Intertrust Directors 1 Limited and Intertrust Directors 2 Limited

Name	*Business Address*	*Business Occupation*
Helena Whitaker	1 Bartholomew Lane, London, EC2N 2AX	Director
Ian Hancock	1 Bartholomew Lane, London, EC2N 2AX	Director
Wenda Adriaanse	1 Bartholomew Lane, London, EC2N 2AX	Director
Alasdair Watson	1 Bartholomew Lane, London, EC2N 2AX	Director
Raheel Khan	1 Bartholomew Lane, London, EC2N 2AX	Director
Jackie Sarpong	1 Bartholomew Lane, London, EC2N 2AX	Director
Oskari Tammenmaa	1 Bartholomew Lane, London, EC2N 2AX	Director
Robert Pitcher	1 Bartholomew Lane, London, EC2N 2AX	Director
John Paul Nowacki	1 Bartholomew Lane, London, EC2N 2AX	Director
Debra Amy Parsall	1 Bartholomew Lane, London, EC2N 2AX	Director
Aline Sternberg	1 Bartholomew Lane, London, EC2N 2AX	Director

No potential conflicts of interest exist between any duties to the LLP of the individual directors of Intertrust Directors 1 Limited and Intertrust Directors 2 Limited and their private interests or other duties in respect of their management roles.

INFORMATION RELATING TO THE REGULATION OF THE MORTGAGES IN THE UK

Certain Regulatory Considerations

Mortgages Regulated under the FSMA

In the United Kingdom, regulation of residential mortgage business under the FSMA came into force on 31 October 2004 (the "**Regulation Effective Date**"). Entering into a regulated mortgage contract as a lender, arranging a regulated mortgage contract or advising in respect of a regulated mortgage contract and administering a regulated mortgage contract (or agreeing to do any of those activities) are (subject to applicable exemptions) each regulated activities under the FSMA and the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) (as amended) (the "**RAO**") requiring authorisation and permission from the FCA.

The original definition of a 'regulated mortgage contract' was such that if a mortgage contract was entered into, or varied such that a new contract was entered into, on or after the Regulation Effective Date but before 21 March 2016 it will be a Regulated Mortgage Contract under the RAO if (a) the lender provided credit to an individual or to trustees; b) the obligation of the Borrower to repay was secured by a first legal mortgage (or, in Scotland, a first ranking standard security) on land (other than timeshare accommodation) in the UK; and (c) at least 40 per cent. of that land was used, or was intended to be used, as or in connection with a dwelling by the Borrower or (in the case of credit provided to trustees) by an individual who was a beneficiary of the trust or by a related person.

The current definition of a "Regulated Mortgage Contract" is such that if a mortgage contract was entered into on or after 21 March 2016 the contract will be a Regulated Mortgage Contract if, at the time it is entered into, the following conditions (when read in conjunction with and subject to certain relevant exclusions) are met: (a) the borrower is an individual or trustee; (b) the contract provides for the obligation of the borrower to repay to be secured by a mortgage on land; (c) at least 40 per cent. of that land is used, or is intended to be used: (i) in the case of credit provided to an individual, as or in connection with a dwelling; or (ii) in the case of credit provided to a trustee which is not an individual, as or in connection with a dwelling by an individual who is a beneficiary of the trust, or by a related person. In relation to a contract entered into before 23:00 on 31 December 2020, 'land' means land in the United Kingdom or within the territory of an EEA State and in relation to a contract entered into on or after 23:00 on 31 December 2020, 'land' means land in the United Kingdom. A related person (in relation to a borrower, or in the case of credit provided to trustees, a beneficiary of the trust) is (1) that person's spouse or civil partner; (2) a person (whether or not of the opposite sex) whose relationship with that person has the characteristics of the relationship between husband and wife; or (3) that person's parent, brother, sister, child, grandparent or grandchild (a "**Related Person**").

Credit agreements that were originated before 21 March 2016, which were regulated by the CCA (as defined below), which are not exempt agreements under the RAO by virtue of article 60D of the RAO and that would have been Regulated Mortgage Contracts had they been entered into on or after 21 March 2016 are 'consumer credit back book mortgage contracts' and are also therefore Regulated Mortgage Contracts.

On and from the Regulation Effective Date, subject to any exemption, persons carrying on any specified regulated mortgage-related activities by way of business must be authorised under the FSMA. The specified activities currently are: (a) entering into a Regulated Mortgage Contract as lender; (b) administering a Regulated Mortgage Contract (administering in this context broadly means notifying borrowers of changes in mortgage payments and/or taking any necessary steps for the purposes of collecting payments due under the mortgage loan); (c) advising in respect of Regulated Mortgage Contracts; and (d) arranging Regulated Mortgage Contracts. Agreeing to carry on any of these activities is also a regulated activity. If requirements as to the authorisation of lenders and brokers are not complied with, a Regulated Mortgage Contract will be unenforceable against the borrower except with the approval of a court and the unauthorised person may commit a criminal offence. An unauthorised person who carries on the regulated mortgage activity of administering a Regulated Mortgage Contract that has been validly entered into may commit an offence, although this will not render the contract unenforceable against the borrower. The regime under the FSMA regulating financial promotions covers the content and manner of the promotion of agreements relating to qualifying credit and who can issue or approve financial promotions. In this respect, the FSMA regime not only covers financial promotions of Regulated Mortgage Contracts but also promotions of certain other types of secured credit agreements under which the lender is a person (such as an Originator) who carries on the regulated activity of entering into a Regulated Mortgage Contract. Failure to comply with the financial promotion regime (as regards who can issue or approve financial promotions) is a criminal offence and will render the Regulated Mortgage Contract or other secured credit agreement in question unenforceable against the borrower except with the approval of a court.

The Seller is required to hold and does hold authorisation and permission to enter into and to administer and (where applicable) to advise in respect of Regulated Mortgage Contracts. Subject to certain exemptions, brokers will be required to hold authorisation and permission to arrange and, where applicable, to advise in respect of Regulated Mortgage Contracts. The LLP is not, and does not propose to be an authorised person under the FSMA. Under the RAO, the LLP does not require authorisation in order to acquire legal or beneficial title to a Regulated Mortgage Contract. The LLP does not carry on the regulated activity of administering Regulated Mortgage Contracts by having them administered pursuant to an administration agreement by an entity having the required FCA authorisation and permission under the FSMA. If such an administration agreement terminates, however, the LLP will be required to arrange for mortgage administration to be carried out by a replacement administrator having the required FCA authorisation and permission, and will have a period of not more than one month (beginning with the day on which such arrangement terminates) in which to do so. The same analysis applies in respect of consumer buy-to-let mortgages.

In the event that a mortgage is varied, such that a new contract is entered into and that contract constitutes a Regulated Mortgage Contract, then the arrangement of, advice on, administration of and entering into of such variation would need to be carried out by an appropriately authorised entity. In addition no variation has been or will be made to the Mortgage Loans and no Further Advance or Product Switch has been or will be made in relation to a Mortgage Loan, where it would result in the LLP arranging or advising in respect of, administering or entering into a Regulated Mortgage Contract or agreeing to carry on any of these activities, if the LLP would be required to be authorised under the FSMA to do so.

The FCA's Mortgages and Home Finance: Conduct of Business sourcebook ("**MCOB**"), which sets out the FCA's rules for regulated mortgage activities, came into force on 31 October 2004. These rules cover, among other things, certain pre-origination matters such as financial promotion and pre-application illustrations, pre-contract and start-of-contract and post-contract disclosure, contract changes, charges and arrears and repossessions.

A Borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention by an authorised person of an FCA or PRA rule, and may set-off the amount of the claim against the amount owing by the Borrower under the loan or any other loan that the Borrower has taken with that authorised person (or exercise analogous rights in Scotland).

Any regulated activities carried on by an entity which is not authorised under the FSMA would be in breach of the general prohibition on conducting unauthorised regulated activities in Section 19 FSMA and would be a criminal offence. In addition to criminal offences the FCA may take civil action against a firm which breaches Section 19 FSMA with, potentially, the imposition of unlimited fines.

The Seller will give the Loan Warranties to the LLP in the Mortgage Sale Agreement. These include, among other things, that each relevant Mortgage Loan and its Related Security is enforceable (subject to certain exceptions). The Mortgage Sale Agreement provides that in respect of a material breach of a Loan Warranty (which, if capable of remedy, is not remedied within the specified time), the LLP and the Security Trustee may require the Seller to repurchase the relevant Mortgage Loan in exchange for payment of the Repurchase Price.

Unfair relationships

Under the CCA, the previous "extortionate credit" regime was replaced by an "unfair relationship" test. The "unfair relationship" test applies to all existing and new credit agreements except Regulated Mortgage Contracts under the FSMA. It also applies to (as described above) 'consumer credit back book mortgage contracts' which, despite being pulled into MCOB regulation following the implementation of the Mortgage Credit Directive, continue to be subject to certain retained provisions from the CCA. If a court makes a determination that the relationship between a lender and a borrower is unfair, then it may make an order, among other things, requiring the relevant Seller, or any assignee such as the LLP, to repay amounts received from such borrower. In applying the "unfair relationship" test, the courts are able to consider a wider range of circumstances surrounding the transaction, including the creditor's conduct (or the conduct of anyone acting on behalf of the creditor) before and after making the agreement or in relation to any related agreement. There is no statutory definition of the word "unfair" in the CCA as the intention is for the test to be flexible and subject to judicial discretion and it is therefore difficult to predict whether a court would find a relationship "unfair". However, the word "unfair" is not an unfamiliar term in UK legislation due to the UTCCR and the CRA (each as defined below). The courts may, but are not obliged to, look solely to the CCA for guidance. The principle of "treating customers fairly" under the FSMA, and guidance published by the FSA and, from 1 April 2013, the FCA on that principle and former guidance by the OFT on the unfair relationship test, may also be relevant. Under the CCA, once the debtor alleges that an "unfair relationship" exists, then the burden of proof is on the creditor to prove the contrary.

Plevin v Paragon Personal Finance Limited [2014] UKSC 61 ("**Plevin**"), a Supreme Court judgment, has clarified that compliance with the relevant regulatory rules by the creditor (or a person acting on behalf of the creditor) does not preclude a finding of unfairness, as a wider range of considerations may be relevant to the fairness of the relationship than those which would be relevant to the application of the rules.

If a mortgage loan subject to the unfair relationship test is found to be unfair, the court may require the lender to repay sums to the debtor, to do by virtue of the agreement or any related agreement, not do or cease doing anything in relation to the agreement or any related agreement, reduce or discharge any sums payable by the debtor or surety by virtue of the agreement or any related agreement, direct the return to a surety any security provided by him for the purposes of a security, alter the terms of the agreement or any related agreement, direct accounts to be taken between any persons or otherwise set aside any duty imposed on the debtor or surety by virtue of the agreement or any related agreement. The creditor i.e. lender as defined under section 189 of the CCA means the person providing the credit under a consumer credit agreement or the person to whom his rights and duties under the agreement have passed by assignment or operation of law.

Regulation of buy-to-let mortgages

Buy-to-let mortgage loans can fall under several different regulatory regimes. They can be:

- unregulated;
- regulated by the Consumer Credit Act 1974 (the "**CCA**") as a regulated credit agreement – as defined by article 60B of the RAO;
- regulated by FSMA as a Regulated Mortgage Contract; or
- regulated as a consumer buy-to-let mortgage contract under the consumer buy-to-let regime – as defined by the Mortgage Credit Directive Order 2015 ("**CBTL**").

The Mortgage Portfolio comprises Loans that the Seller believes are either unregulated, Regulated Mortgage Contracts (as to which see above), Consumer Buy-to-Let Loans or Regulated Credit Agreements.

Unregulated buy-to-let mortgage loans

Many buy-to-let mortgage loans will be unregulated because they do not meet the criteria for a Regulated Credit Agreement, Regulated Mortgage Contract or CBTL. There are, however, still some regulated activities that apply to unregulated buy-to-let mortgage loans; the relevant activities in respect of the Mortgage Loans being debt administration and debt collection. The Administrator has debt collection and debt administration permissions. The LLP is excluded as lender from the regulated activities of debt administration and debt collection in respect of any unregulated or CBTL loans.

Consumer buy-to-let loans

The Mortgage Credit Directive requires EU member states to develop a 'national framework' for buy-to-let lending if they choose to exercise discretion afforded by the Mortgage Credit Directive not to apply the Mortgage Credit Directive to their buy-to-let mortgage markets. The UK Government announced that it would use the option to have a national framework for buy-to-let lending to consumers called 'CBTL' in order to put in place the minimum requirements to meet the UK's legal obligations, as it has stated it is not persuaded of the case for full conduct regulation of buy-to-let mortgage lending. The CBTL framework was implemented on 21 March 2016 and is only applicable to consumer borrowers, the majority of buy-to-let lending in the UK being to non-consumers.

The legislative framework is set out in the Mortgage Credit Directive Order 2015 (the "**MCDO**") which defines a CBTL mortgage contract as: "a buy-to-let mortgage contract which is not entered into by the borrower wholly or predominantly for the purposes of business carried on, or intended to be carried on, by the Borrower". It provides that a firm that advises on, arranges, lends or administers CBTL mortgages must be registered to do so. The Administrator is registered by the FCA as a consumer buy-to-let lender, administrator, arranger and advisor.

The MCDO sets out a number of conduct standards for firms carrying on CBTL business which cover, inter alia, requirements for pre-contractual illustrations, adequate explanations and arrears and repossessions. The FCA has amended the FCA Handbook to reflect its supervisory and enforcement powers in respect of such conduct standards.

Regulated Credit Agreements

Certain buy-to-let mortgages are regulated by the CCA because buy-to-let loans only became exempt from CCA regulation on 31 October 2008. Buy-to-let loans originated prior to 31 October 2008 will be regulated by the CCA if the amount of credit was less than the relevant financial limit in place at the time and no other relevant CCA exemption applied. The financial limit for CCA regulation was abolished on 6 April 2008 in respect of all loans except buy-to-let loans. The financial limit of £25,000 in place at the time for CCA regulated credit agreements was not removed for buy-to-let loans until 31 October 2008. Those buy-to-let mortgages which are not "consumer credit back book mortgage contracts" but were regulated by the CCA will continue to be regulated by the CCA notwithstanding the implementation of the MCDO. Non-compliance with certain provisions of the CCA may render a regulated credit agreement totally unenforceable or unenforceable without a court order or an order of the appropriate regulator or may render the borrower not liable to pay interest or charges in relation to the period of non-compliance.

Enforcement of Buy-to-Let Loans

Upon enforcement of a Mortgage in respect of a Mortgaged Property which is subject to an existing tenancy, the Administrator (or its replacement or delegate, as applicable) may not be able to obtain vacant possession of the Mortgaged Property in which case the Administrator (or its replacement or delegate, as applicable) will only be able to sell the Mortgaged Property as an investment property with one or more sitting tenants. This may affect the amount which the Administrator can realise upon enforcement of the Mortgage and the sale of the Mortgaged Property.

However, enforcement procedures in relation to such Mortgages (excluding any Scottish Mortgages) allow for the appointment of a receiver of rent in which case such a receiver must collect any rents payable in respect of the Mortgaged Property and apply them accordingly in payment of any interest and arrears accruing under the Mortgage. Under Scots law, a receiver cannot be appointed under a fixed charge (including a standard security, which is the Scottish equivalent of a land charge) and the only enforcement action which may be taken under a standard security (such as a Scottish Mortgage) is a full enforcement of the charge (i.e. it cannot be enforced selectively by, for instance, attaching to rental payments). Accordingly, in Scotland, securing the rental flows will require the enforcement of the standard security.

A rent cap, which was introduced by the Scottish Parliament in response to rapid increases in inflation and the cost of living that have been affecting the UK since the beginning of the energy crisis in the first half of 2022, ended on 31 March 2024. From 1 April 2024, transitional regulations implemented by the Scottish Parliament introduced a replacement rent adjudication scheme which temporarily amends the rent adjudication process for 12 months (with the option to extend for a further 12 months). Under the modified process, tenants wishing to dispute a rent increase notice can apply to a rent officer at Rent Service Scotland or to the First Tier Tribunal for rent adjudication. Any changes in rent must be based on one of three comparators: (i) the open market rent; (ii) a landlord's proposed rental increase; and (iii) a new taper calculation that will specify a maximum 'reasonable' increase for that tenancy.

The Housing (Scotland) Bill was introduced by the Scottish Government on 26 March 2024. The Bill includes proposals for long-term rent controls for private tenancies, including provisions relating to the designation of rent control areas and related restrictions on the amount by which rents can be increased in those areas within a 12 month period (both within and between tenancies). The Bill also includes proposals to provide greater protection to tenants during the eviction process, including a requirement on the First Tier Tribunal and the Sheriff Court to consider whether a delay to eviction should occur based on the individual circumstances of a case, including in relation to seasonal pressures.

Restrictions on a landlord's ability to increase rent during the period in which these temporary rent adjudication protections are in place, and any long-term rent restrictions or delays to a landlord' ability to seek possession of a property introduced under the Housing (Scotland) Bill, may result in less rental income being available to meet the Borrower's repayment obligations in respect of the Mortgage Loans.

The amount of income tax relief that individual landlords can claim for residential property finance costs (such as mortgage interest) is restricted to the basic rate of tax. This may result in higher taxes for individual landlords depending on their personal circumstances.

From 1 April 2016, a higher rate of stamp duty land tax ("**SDLT**") (and, from 1 April 2018, Welsh Land Transaction Tax ("**WLTT**")) has applied to the purchase of additional residential properties (such as buy-to-let

properties) in England, and Wales respectively. The Scottish Government has implemented a similar additional dwelling supplement in respect of purchases of residential properties with a total purchase price of £40,000 or more (the "**Additional Dwelling Supplement**") with effect from 1 April 2016 in respect of land and buildings transaction tax ("**LBTT**") (broadly speaking, the equivalent in Scotland to SDLT). For properties located in England, the current additional rates are 5 per cent. above the current SDLT rates. For properties in Wales, the WLTT rate on additional residential properties is 4 per cent. higher than the main WLTT rate for the first £180,000 of purchase price; for subsequent bands of purchase price, the additional rates remain higher than the main WLTT rates (by differing percentages) and the bands of purchase price to which the additional rates are applied are structured differently to the main WLTT band. For Scottish Mortgaged Properties, in addition to the current LBTT rates, the Additional Dwelling Supplement is 6 per cent. above the current LBTT rates.

A 2 per cent. SDLT surcharge applies to non-UK residents purchasing residential property in England. This applies in addition to the 5 per cent. additional rate that applies to the purchase of additional residential properties in England described above.

Energy Efficiency Regulations 2015

From 1 April 2018, landlords of relevant domestic properties in England and Wales may not grant a tenancy to new or existing tenants if their property has an EPC rating of band F or G (as shown on a valid Energy Performance Certificate for the property) and from 1 April 2020, landlords must not continue letting a relevant domestic property which is already let if that property has an EPC rating of band F or G (as shown on a valid Energy Performance Certificate for the property). In both cases described above, this is referred to in the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 (the "**Energy Efficiency Regulations 2015**") as the prohibition on letting sub-standard property. Where a landlord wishes to continue letting property which is currently sub-standard, the landlord will need to ensure that energy efficiency improvements are made which raise the EPC rating to a minimum of E. In certain circumstances landlords may be able to claim an exemption from this prohibition on letting sub-standard property; this includes situations where the landlord is unable to obtain funding to cover the cost of making improvements, or where all improvements which can be made have been made, and the property remains below an EPC rating of band E. Local authorities will enforce compliance with the domestic minimum level of energy efficiency. Local authorities may check whether a property meets the minimum level of energy efficiency and may issue a compliance notice requesting information where it appears to the local authorities that a property has been let in breach of the Energy Efficiency Regulations 2015 (or an invalid exemption has been registered in respect of it). Where a local authority is satisfied that a property has been let in breach of the Energy Efficiency Regulations 2015 it may serve a notice on the landlord imposing financial penalties.

In September 2024, the Department for Energy Security and Net Zero announced that the government will consult by the end of 2024 on proposals for private and social rented homes to achieve Energy Performance Certificate (EPC) C or equivalent by 2030.

There is currently no minimum EPC rating required for domestic rented properties in Scotland, however the Scottish Government has introduced proposals for new legislation which will require all private rented sector properties to reach a minimum energy efficiency standard by the end of 2028. A more detailed consultation on the proposed minimum energy efficiency standard is expected, however initial proposals indicate that it will be achieved by installing certain energy efficiency measures within a property (including appropriate insulation and heating controls) or where a good level of energy efficiency can be shown based on an EPC assessment. The proposed legislation also introduces an overarching Heat in Buildings Standard which, in addition to the requirement to meet a minimum energy efficiency standard, will require all building owners in Scotland to have moved to clean heating systems by the end of 2045, with earlier implementation periods for those purchasing properties and where a heat network zone applies. Separately, the Scottish Government have also consulted on proposals to reform EPCs more generally, which includes the addition of a new 'fabric rating' to indicate how well a building retains heat.

Distance Marketing Regulations

The UK, the Financial Services (Distance Marketing) Regulations 2004 (the "**Distance Marketing Regulations**") apply to contracts for financial services entered into on or after 31 October 2004 by a "consumer" within the meaning of the Distance Marketing Regulations and by means of distance communication (i.e. without any substantive simultaneous physical presence of the originator and the borrower).

The Distance Marketing Regulations require suppliers of financial services by way of distance communication to provide certain information to consumers. This information generally has to be provided before the consumer is bound by the contract and includes, but is not limited to, general information in respect of the supplier and the financial service, the contractual terms and conditions, and whether or not there is a right of cancellation.

A Regulated Mortgage Contract under the FSMA, if originated by a UK lender (who is authorised by the FCA) from an establishment in the UK, will not be cancellable under the Distance Marketing Regulations but will be subject to related pre-contract disclosure requirements in MCOB. Failure to comply with MCOB pre-contract disclosure rules could result in, amongst other things, disciplinary action by the FCA and claims for damages under Section 138D of FSMA.

Certain other agreements for financial services (including consumer buy-to-let mortgage loans) will be cancellable under the Distance Marketing Regulations if the borrower does not receive prescribed information at the prescribed time. Where the credit agreement is cancellable under the Distance Marketing Regulations, the borrower may send notice of cancellation at any time before the expiry of 14 days beginning with (i) the day after the day on which the contract is made (where all of the prescribed information has been provided prior to the contract being entered into); or (ii) the day after the day on which the last of the prescribed information is provided (where all the of prescribed information was not provided prior to the contract being entered into).

Compliance with the Distance Marketing Regulations may be secured by way of injunction (interdict in Scotland) obtained by an enforcement authority granted on such terms as the court thinks fit to ensure such compliance, and certain breaches of the Distance Marketing Regulations may render the originator or intermediaries (and their respective relevant officers) liable to a fine.

If the borrower cancels the contract under the Distance Marketing Regulations, then:

(a) the borrower is liable to repay the principal and any other sums paid by or on behalf of the originator to the borrower, under or in relation to the contract, within 30 calendar days of cancellation beginning with the day of the borrower sending notice of cancellation or, if later, the lender receiving notice of cancellation;

(b) the borrower is liable to pay interest, early repayment charges and other charges for services actually provided in accordance with the contract only if: (i) the amount is in proportion to the extent of the service provided (in comparison with the full coverage of the contract) and is not such that it could be construed as a penalty; (ii) the borrower received certain prescribed information at the prescribed time about the amounts payable; and (iii) the originator did not commence performance of the contract before the expiry of the relevant cancellation period (unless requested to do so by the borrower); and

(c) any security provided in relation to the contract is to be treated as never having had effect.

Unfair Terms in Consumer Contracts Regulations 1994 and 1999 and the Consumer Rights Act 2015

In the United Kingdom, the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the "**1999 Regulations**"), and (in so far as applicable) the Unfair Terms in Consumer Contracts Regulation 1994 (together with the 1999 Regulations, (the "**UTCCR**")), apply to business-to-consumer agreements made on or after 1 July 1995 and before 1 October 2015 where the terms have not been individually negotiated (and the "consumer" for these purposes falls within the definition provided in the UTCCR). The Consumer Rights Act 2015 (the "**CRA**") has revoked the UTCCR in respect of contracts made on or after 1 October 2015 (see "*CRA*" below). In respect of contracts that (a) were entered into on or after 1 October 2015; or (b) were, since 1 October 2015, subject to a material variation such that they are treated as new contracts falling within the scope of the CRA, the CRA applies. The CRA is also applicable on or after 1 October 2015, to consumer notices, such as notices of variation of interest rate under contracts.

(i) UTCCR

The UTCCR and the CRA provide that a consumer (which would include a Borrower under all or almost all of the Mortgage Loans) may challenge a term in an agreement on the basis that it is "unfair" under the UTCCR or the CRA as applicable and therefore not binding on the consumer (although the rest of the agreement will remain enforceable if it is capable of continuing in existence without the unfair term) and provide that the regulator may take action to stop the use of terms which are considered to be unfair.

The UTCCR will not generally affect terms which define the main subject matter of the contract, such as the borrower's obligation to repay the principal, provided that these terms are written in plain and intelligible language and are drawn adequately to the consumer's attention. The UTCCR may affect terms that are not considered to be terms which define the main subject matter of the contract, such as the lender's power to vary the interest rate and certain terms imposing early repayment charges and mortgage exit administration fees. For example, if a term permitting the lender to vary the interest rate (as the originator is permitted to do) were found to be unfair, the borrower would not be liable to pay interest at the increased rate or, to the extent that the borrower has paid it, would be able, as against the lender, or any assignee such as the LLP, to claim repayment of the extra interest amounts paid or to set off the amount of the claim against the amount owing by the borrower under the loan or any other loan agreement that the borrower has taken with the lender (or exercise analogous rights in Scotland).

(ii) CRA

The main provisions of the CRA came into force on 1 October 2015. The CRA significantly reforms and consolidates consumer law in the UK. The CRA involves the creation of a single regime out of the Unfair Contract Terms Act 1977 (which essentially deals with attempts to limit liability for breach of contract) and the UTCCR. The CRA has revoked the UTCCR in respect of contracts made on or after 1 October 2015 and introduced a new regime for dealing with unfair contractual terms as follows:

- Under Part 2 of the CRA an unfair term of a consumer contract (a contract between a trader and a consumer) is not binding on a consumer (an individual acting for purposes that are wholly or mainly outside that individual's trade, business, craft or profession). Additionally, an unfair notice is not binding on a consumer, although a consumer may rely on the term or notice if the consumer chooses to do so. A term will be unfair where, contrary to the requirement of good faith, it causes significant imbalance in the parties' rights and obligations under the contract to the detriment of the consumer. In determining whether a term is fair it is necessary to: (i) take into account the nature of the subject matter of the contract; (ii) refer to all of the circumstances existing when the term was agreed; and (iii) refer to all of the other terms of the contract or any other contract on which it depends.

- Schedule 2 of the CRA contains an indicative and non-exhaustive "grey list" of terms of consumer contracts that may be regarded as unfair. Notably, paragraph 11 of Schedule 2 lists "a term which has the object or effect of enabling the trader to alter the terms of the contract unilaterally without a valid reason which is specified in the contract" although paragraph 22 of Schedule 2 provides that this does not include a term by which a supplier of financial services reserves the right to alter the rate of interest payable by or due to the consumer, or the amount of other charges for financial services without notice where there is a valid reason if the supplier is required to inform the consumer of the alteration at the earliest opportunity and the consumer is free to dissolve the contract immediately.

- A term of a consumer contract which is not on the "grey list" may nevertheless be regarded as unfair.

- Where a term of a consumer contract is "unfair" it will not bind the consumer. However, the remainder of the contract, will, so far as practicable, continue to have effect in every other respect. Where a term in a consumer contract is susceptible of multiple different meanings, the meaning most favourable to the consumer will prevail. It is the duty of the court to consider the fairness of any given term. This can be done even where neither of the parties to proceedings has explicitly raised the issue of fairness.

(iii) Meaning of Fairness in Contract Terms

Historically the OFT, FSA and FCA (as appropriate) have issued guidance on the UTCCR. This has included: (i) OFT guidance on fair terms for interest variation in mortgage contracts dated February 2000; (ii) an FSA statement of good practice on fairness of terms in consumer contracts dated May 2005; (iii) an FSA statement of good practice on mortgage exit administration fees dated January 2007; and (iv) FSA finalised guidance on unfair contract terms and improving standards in consumer contracts dated January 2012. On 2 March 2015, the FCA updated its online unfair contract terms library by removing some of its material (including the abovementioned guidance) relating to unfair contract terms. The FCA stated that such material "no longer reflects the FCA's views on unfair contract terms" and that firms should no longer rely on the content of the documents that had been removed.

The Unfair Contract Terms and Consumer Notices Regulation Guide (UNFCOG in the FCA handbook) explains the FCA's policy on how it uses its formal powers under the CRA and the Competition and Markets Authority (the "**CMA**") published guidance on the unfair terms provisions in the CRA on 31 July 2015 (the "**CMA**

Guidance"). The CMA indicated in the CMA Guidance that the fairness and transparency provisions of the CRA are regarded to be "effectively the same as those of the UTCCR" and that existing case law generally, including that of the Court of Justice of the EU, is for the most part as relevant to the CRA as it was the UTCCRs.

Ultimately, only a court can decide whether a term is fair, however it may take into account relevant guidance published by the CMA or the FCA. On 19 December 2018, the FCA published finalised guidance: "Fairness of variation terms in financial services consumer contracts under the Consumer Rights Act 2015" (FG 18/7), outlining factors that the FCA considers firms should have regard to when drafting and reviewing variation terms in consumer contracts. This follows developments in case law, including at the Court of Justice of the EU (the "**CJEU**"). The finalised guidance relates to all financial services consumer contracts entered into since 1 July 1995. The FCA stated that firms should consider both this guidance and any other rules that apply when they draft and use variation terms in their consumer contracts. The FCA stated that the finalised guidance will apply to FCA authorised persons and their appointed representative in relation to any consumer contracts which contain variation terms.

In general, the interpretation of the UTCCR and the CRA is open to some doubt, particularly in light of sometimes conflicting reported case law between the English courts and the CJEU. The broad and general wording of the UTCCR and the CRA makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any Loans which have been made to Borrowers covered by the UTCCR or the CRA may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans.

Consumer Protection from Unfair Trading Regulations 2008 and the Digital Markets, Competition and Consumers Act 2024

The CPUTR came into force on 26 May 2008. The CPUTR prohibits certain practices which are deemed "unfair" within the terms of the CPUTR. Breach of the CPUTR does not (of itself) render an agreement void or unenforceable but is a criminal offence punishable by a fine and/or imprisonment.

Under the CPUTR the possible liabilities for misrepresentation or breach of contract in relation to the underlying credit agreement may result in irrecoverable losses on amounts to which such agreements apply. Most of the provisions of the Consumer Protection (Amendment) Regulations 2014 came into force on 1 October 2014 and amended the CPUTR. In certain circumstances, these amendments to the CPUTR give consumers a right to redress for misleading or aggressive commercial practices (as defined in the CPUTR), including a right to unwind agreements.

On 24 May 2024 the Digital Markets, Competition and Consumers Bill received royal assent. The DMCCA is not yet fully in force and most of its key provisions will be brought into force through secondary legislation. Once fully in force, the DMCCA will revoke the CPUTR and recreate their effect, with minor amendments (Part 4 of the DMCCA), prohibiting unfair commercial practices in business to consumer relationships. In addition to some minor amendments to the CPUTR rules, the new regime will introduce new rules on consumer reviews, drip pricing and consumer vulnerability. In addition, the DMCCA largely replicates the list of specified banned practices contained in the CPUTR and creates new powers to expand the list of automatically unfair practices. Under the DMCCA, the unfair commercial practices regime, along with all other consumer protection legislation, will become subject to a new enforcement regime under which the CMA will enjoy new direct enforcement powers, which will operate in parallel with a court-based enforcement regime.

The new unfair commercial practices regime established by the DMCCA will apply to acts or omissions which take place on or after the commencement date (to be determined by secondary legislation). It cannot be excluded that the new rules and enforcement regime under the DMCCA will have an adverse impact on the Loans.

Redemption of Scottish Mortgages

Under Section 11 of the Land Tenure Reform (Scotland) Act 1974 the grantor of any Standard Security has an absolute right, on giving appropriate notice, to redeem that Standard Security once it has subsisted for a period of 20 years subject only to the payment of certain sums specified in Section 11 of the Act. These specified sums consist essentially of the principal monies advanced by the lender and expenses incurred by the lender in relation to that Standard Security and interest.

Land Registration Reform in Scotland

The Land Registration etc. (Scotland) Act 2012 (the "**2012 Act**") came into force in Scotland on 8 December 2014. One of the policy aims of the 2012 Act is to encourage the transfer of property titles recorded in the historic General Register of Sasines to the more recently established Land Register of Scotland with the aim of eventually closing the General Register of Sasines.

Title to a residential property that is recorded in the General Register of Sasines will be required to be moved to the Land Register of Scotland (a process known as 'first registration') when that property is sold or if the owner decides voluntarily to commence first registration. However, the 2012 Act sets out, in provisions which are being brought into effect in stages, additional circumstances which will trigger first registration of properties recorded in the General Register of Sasines, including the recording of (i) a standard security (which would extend to any standard security granted by the LLP in favour of the Security Trustee over Scottish Mortgages in the Mortgage Portfolio recorded in the General Register of Sasines, pursuant to the terms of the Deed of Charge following a transfer to the LLP of legal title to the Scottish Mortgage Loans and their Related Security pursuant to the Mortgage Sale Agreement (a "**Scottish Sasine Sub Security**")), or (ii) an assignation of a standard security (which would extend to any assignation granted by the Seller in favour of the LLP in respect of Scottish Mortgages in the Mortgage Portfolio recorded in the General Register of Sasines, pursuant to the terms of the Mortgage Sale Agreement following a transfer to the LLP of legal title to the Scottish Mortgage Loans and their Related Security (a "**Scottish Sasine Transfer**")).

The relevant provisions of the 2012 Act relating to the recording of standard securities came into force on 1 April 2016. As of this date, the General Register of Sasines is now closed to the recording of standard securities. As a result of this, if a Scottish Sasine Sub Security is granted by the LLP this may lead to higher legal costs and a longer period being required to complete registration than would previously have been the case. Notwithstanding the provisions of the 2012 Act mentioned above, for the time being other deeds such as assignations of standard securities (including Scottish Sasine Transfers) will continue to be accepted in the General Register of Sasines indefinitely (although Registers of Scotland have reserved the right to consult further on this issue in the future).

As noted above, such events will only occur following the transfer of legal title to the Scottish Mortgage Loans and their Related Security to the LLP being perfected in accordance with the Mortgage Sale Agreement and, given that the proportion of residential properties in Scotland which remain recorded in the General Register of Sasines continues to decline (Registers of Scotland estimate that as at February 2024 around 87 per cent. of functional property titles in Scotland were registered in the Land Register of Scotland), it is likely that only a minority of the Scottish Mortgages will be recorded in the General Register of Sasines.

Private Housing (Tenancies) (Scotland) Act 2016 and Proposals in England

The Private Housing (Tenancies) (Scotland) Act 2016 received Royal Assent on 22 April 2016 and came into force on 1 December 2017. Existing assured tenancies and short assured tenancies in place before 1 December 2017 will continue until brought to an end or converted. Each qualifying tenancy agreement from 1 December 2017 will be a "private residential tenancy" which will (except in a limited number of exceptions) provide tenants with security of tenure by restricting a landlord's ability to regain possession of the property to a number of specific eviction grounds.

The Private Housing (Tenancies) (Scotland) Act 2016 does not affect holiday lets, social, police or military housing or student accommodation that is either (i) purpose-built and the landlord is an institutional provider of student accommodation or (ii) provided by academic institutions.

Accordingly, a lender or security-holder may not be able to obtain vacant possession if it wishes to enforce its security unless one of the specific eviction grounds under the legislation applies. It should be noted though that one of the grounds on which an eviction order can be sought is that a lender or security-holder intends to sell the property and requires the tenant to leave the property in order to dispose of it with vacant possession (although please see "*Risks relating to Buy-to-Let mortgages*" section above for the impact of the Cost of Living (Tenant Protection) (Scotland) Act 2022 on the relevant provisions of the Private Housing (Tenancies) (Scotland) Act 2016). The effect of this legislative change will primarily be restricted to any buy-to-let loans secured over Scottish Mortgaged Property.

The UK Government announced in April 2019 plans to consult on similar legislation in relation to English property which may similarly impact buy-to-let loans secured over English property.

Repossessions

An updated protocol for mortgage repossession cases in England and Wales came into force on 6 April 2015 (the "**Pre-Action Protocol**"). The Pre-Action Protocol sets out the steps that judges will expect any lender to take before starting a claim. This includes delaying the initiation of repossession action for at least three months after a borrower who is an owner-occupier is in arrears. The application of such moratorium is subject to the wishes of the borrower and may not apply in cases of fraud. In addition, under the Pre-Action Protocol the lender must consider whether to postpone the start of a possession claim where the borrower has made a genuine complaint to the FOS about the potential possession claim. In addition, MCOB rules for regulated mortgage contracts from 25 June 2010 prevent the lender from: (a) repossessing the property unless all other reasonable attempts to resolve the position have failed, which include considering whether it is appropriate to offer an extension of term, or a change in the product type; and (b) automatically capitalising a payment shortfall.

The protocol does not apply to buy-to-let mortgage contracts.

The Mortgage Repossession (Protection of Tenants etc.) Act 2010 (the "**Repossession Act**") came into force in October 2010. The Repossession Act gives courts in England and Wales the same power to postpone and suspend repossession for up to two months on application by an unauthorised tenant (i.e. a tenant in possession without the lender's consent) as generally exists on application by an authorised tenant. The lender has to serve notice at the property before enforcing a possession order.

Part I of The Home Owner and Debtor Protection (Scotland) Act 2010 came into force on 30 September 2010 and imposes additional requirements on heritable creditors (the Scottish equivalent of a mortgagee) in relation to the enforcement of standard securities over residential property in Scotland. Under Part I of the Act the heritable creditor which may be the Seller or, in the event of it taking legal title to the Scottish Loans and their Related Security, the LLP has to obtain a court order to exercise its power of sale (in addition to initiating the enforcement process by the service of a two-month "calling up" notice), unless the borrower and any other occupiers have surrendered the property voluntarily. In applying for the court order, the heritable creditor has also to demonstrate that it has taken various preliminary steps to attempt to resolve the borrower's position and to comply with further procedural requirements. This may restrict the ability of the Seller as heritable creditor of the Scottish Mortgages to exercise its power of sale.

Decisions of the Ombudsman

Under the FSMA, the Financial Ombudsman Service (the "**Ombudsman**") is required to make decisions in respect of, among other things, certain complaints relating to the activities and transactions under its jurisdiction on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all circumstances of the case, taking into account, among other things, law and guidance, rather than making determinations strictly on the basis of compliance with law.

Complaints properly brought before the Ombudsman for consideration must be decided on a case-by-case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman. The Ombudsman is required to make decisions on the basis of, among other things, the principles of fairness, and may order a monetary award to the complaining borrower.

Assured Shorthold Tenancy (AST)

Depending on the level of ground rent payable at any one time it is possible that a long leasehold in England and Wales may also be an Assured Tenancy ("**AT**") or Assured Shorthold Tenancy ("**AST**") under the Housing Act 1988 ("**HA 1988**").

There is no maximum term for an AT and therefore any lease can constitute an AT if it satisfies the relevant criteria.

Since 28 February 1997 all ATs will automatically be ASTs (unless the landlord serves notice to the contrary) which gives landlords the right to recover the property at the end of the term of the tenancy. The HA 1988 also entitles a landlord to obtain an order for possession and terminate an AT/AST during its fixed term on proving one of the grounds for possession specified in section 7(6) of the HA 1988. The ground for possession of most concern in relation to long leaseholds is Ground 8 – namely that if the rent is payable yearly (as most ground rents

are), at least three months' rent is more than three months in arrears both at the date of service of the landlord's notice and the date of the hearing.

Most leases give the landlord a right to forfeit the lease if rent is unpaid for a certain period of time but the courts normally have power to grant relief, cancelling the forfeiture as long as the arrears are paid off. There are also statutory protections in place to protect long leaseholders from unjustified forfeiture action. However, an action for possession under Ground 8 is not the same as a forfeiture action and the court's power to grant relief does not apply to Ground 8. In order to obtain possession, the landlord will have to follow the notice procedure in section 8 of the HA 1988 and, if the tenant does not leave on expiry of the notice, apply for a court order. However, as ground 8 is a mandatory ground, the court will have no discretion and will be obliged to grant the order if the relevant conditions are satisfied. There is government consultation underway to review residential leasehold law generally and it is anticipated that this issue will be addressed as part of any resulting reforms. There is a risk that where:

(i) a long lease is also an AT/AST due to the level of the ground rent;

(ii) the tenant is in arrears of ground rent for more than 3 months;

(iii) the landlord chooses to use the HA 1988 route to seek possession under Ground 8; and

(iv) the tenant does not manage to reduce the arrears to below 3 months' ground rent by the date of the court hearing,

the long lease in England and Wales will come to an end and the landlord will be able to re-enter the relevant property.

In Scotland, the corresponding provisions of the Housing (Scotland) Act 1988 that govern assured tenancies and short assured tenancies (being broadly the Scottish equivalent of an Assured Tenancy and an Assured Shorthold Tenancy in England and Wales) do not apply to long leases in respect of residential property in Scotland that are capable of being registered in the Registers of Scotland and secured by a standard security

The Renting Homes (Wales) Act 2016

The Renting Home (Wales) Act 2016 (the "**Renting Homes Act**") received royal assent on 18 January 2016 and fully entered into force on 1 December 2022. The Renting Homes Act converts the majority of existing residential tenancies in Wales into an 'occupation contract' with retrospective effect. Subject to certain criteria being met, residential lettings and tenancies granted on or after 1 December 2022 will be 'occupation contracts'.

Under the Renting Homes Act, a landlord must, within the requisite time period set out in the act, serve a written statement on the tenant of an occupation contract which sets out certain terms of the occupation contract which are specified in the Act.

Where a tenant has breached the occupation contract the minimum notice that must be given to the tenant by the landlord of termination of the contract is one month. The notice period can be shorter where it relates to acts of anti-social behaviour or serious rent arrears. Where a 'no fault' notice is issued, the minimum notice that must be given to a tenant is six months.

The Renting Homes Act (which only has effect in Wales) does not contain an equivalent mandatory ground for possession that a lender had under the Housing Act 1988 where a property was subject to a mortgage granted before the beginning of the tenancy and the lender required possession in order to dispose of the property with vacant possession.

Consumer Duty

In July 2022, the FCA published final rules on the introduction of the Consumer Duty, which aims to set a higher level of consumer protection in retail financial markets and to improve competition between firms in the interests of consumers. The Consumer Duty applied from 31 July 2023 for products and services that remain open to sale or renewal and from 31 July 2024 for closed products and services.

The Consumer Duty applies to the regulated activities and ancillary activities of all firms authorised under the FSMA.

The Consumer Duty introduced a new consumer principle that requires firms to act to deliver good outcomes for retail consumers. The FCA's expectations under this new principle are explained through its three cross-cutting

rules: (i) to act in good faith; (ii) to avoid causing foreseeable harm; and (iii) to enable and support retail consumers to pursue their financial objectives. The Consumer Duty also sets rules that aim to drive good outcomes for consumers, related to the following four criteria (i) the quality of firms' products and services (ii) the price and value; (iii) consumer understanding; and (iv) consumer support.

The Consumer Duty applies in respect of Regulated Mortgage Contracts (as well as loans falling within the consumer credit regime). It will apply not only at origination of a product but throughout its subsistence (so, for example, in the case of a mortgage loan, throughout the period the mortgage loan is outstanding). The cross-cutting rules include an obligation to avoid causing foreseeable harm to the consumer and the outcomes include an obligation to ensure that the product (for example, a mortgage loan) provides fair value to the retail customer. These obligations (as with the remainder of the Consumer Duty) must be assessed on a regular basis throughout the life of the product.

The Consumer Duty applies, inter alia, in respect of regulated mortgage contracts (as well as loans falling within the consumer credit regime) as the application of the Consumer Duty follows the position in MCOB. The Consumer Duty applies to product manufacturers and distributors, which include purchasers of in scope mortgage loans, as well as firms administering or servicing those mortgage loans. Although the Consumer Duty does not apply retrospectively, the FCA requires firms to apply the Consumer Duty to existing products on a forward-looking basis.

Breathing Space Regulations

The Breathing Space Regulations (which came into force on 4 May 2021) gives eligible individuals in England and Wales the right to legal protection from their creditors, including almost all enforcement action, during a period of "breathing space". A standard breathing space will give an individual in England and Wales with problem debt legal protection from creditor action for up to 60 days; and a mental health crisis breathing space will give an individual in England and Wales protection from creditor action for the duration of their mental health crisis treatment (which is not limited in duration) plus an additional 30 days.

However, the Breathing Space Regulations do not apply to payments on mortgages, except for arrears which are uncapitalised at the date of the application under the Breathing Space Regulations. Interest can still be charged on the principal secured debt during the breathing space period, but not on the arrears. Any mortgage arrears incurred during any breathing space period are not protected from creditor action. The Borrower must continue to make mortgage payments in respect of any mortgage secured against their primary residence (save in respect of arrears accrued prior to the moratorium) during the breathing space period, otherwise the relevant debt adviser may cancel the breathing space period.

The Issuer implemented the required changes in advance of the 4 May 2021 implementation date.

In February 2021, the FCA issued a policy statement (PS21/1) on the application of the Breathing Space Regulations, in which they confirmed that no changes are currently being made to the rules under MCOB, in relation to how mortgage lenders should treat a “breathing space” as an indicator of payment difficulties. The FCA’s view is that this is something that firms should take into account but should not be treated more specifically than other potential indicators of payment difficulties.

In Scotland, eligible individuals are afforded similar legal protection under the Bankruptcy (Scotland) Act 2016 although the moratorium period of 6 months is longer than in England and Wales and does not make any accommodation for mental health crisis.

Mortgage Charter

On 26 June 2023, the HMT published the ‘Mortgage Charter’ in light of the pressures on households following interest rate rises and the cost-of-living crisis. The Mortgage Charter states that the UK’s largest mortgage lenders and the FCA have agreed with the Chancellor a set of standards that they will adopt when helping their regulated mortgage borrowers worried about high interest rates (the "**Mortgage Charter**"). The Issuer is a signatory to the Mortgage Charter and has agreed that, among other things, a borrower will not be forced to leave their home without their consent unless in exceptional circumstances, in less than a year from their first missed payment. In addition, lenders will permit borrowers who are up to date with their payments to: (i) switch to interest-only payments for six months (the "**MC Interest-only Agreement**"); or (ii) extend their mortgage term to reduce their monthly payments and give borrowers the option to revert to their original term within six months by contacting their lender (the "**MC Extension Agreement**"). These options can be taken by borrowers who are up to date with

their payments without a new affordability check or affecting their credit score. The Mortgage Charter commitments do not apply to buy-to-let mortgages.

With effect on and from 30 June 2023, the FCA has amended the MCOB to allow (rather than require) lenders to give effect to the MC Interest-only Agreement and the MC Extension Agreement. The amendments made by the FCA do not apply to second ranking mortgages or bridging loans. The FCA announced that it intended to review the impact of the rule changes within 12 months. The FCA published Mortgage Charter uptake data on 10 September 2024, but the FCA has not made a statement to indicate that it is intending to amend the MCOB further in relation to the MC Interest-only Agreement and the MC Extension Agreement.

The Mortgage Charter is currently voluntary and adhering to it will be a decision for lenders to make individually.

FCA response to the cost-of-living crisis

On 16 June 2022, the FCA sent a "Dear CEO" letter to UK lenders which stated that the FCA considers that the Mortgages Tailored Support Guidance which was issued to address exceptional circumstances arising out of COVID-19, is also relevant for borrowers in financial difficulties due to other circumstances such as the rising cost of living. Therefore, if a borrower indicates that they are experiencing or reasonably expect to experience payment difficulties due to the rising cost of living, the FCA have said that lenders should offer prospective forbearance to enable them to avoid, reduce, or manage any payment shortfall that would otherwise arise. This includes borrowers who have not yet missed a payment.

The Mortgages Tailored Support Guidance emphasises the MCOB requirement that a lender must not repossess a property unless all other reasonable attempts to resolve the position have failed. It further states that mortgage lenders must also establish and implement clear, effective and appropriate policies and procedures for the fair and appropriate treatment of borrowers whom the lender understands, or reasonably suspects, to be particularly vulnerable. The Mortgages Tailored Support Guidance also confirms the FCA's expectation that action to seek possession should be a last resort.

In addition, the FCA proposed that lenders considering or resuming possession proceedings, should support and enable borrowers to disclose circumstances that might make them particularly vulnerable to repossession action at this time - and to consider whether additional care may be required as a result.

On 10 March 2023, the FCA published finalised guidance: "Guidance for firms supporting their existing mortgage borrowers impacted by the rising cost of living" (FG23/2). The FCA stated that the purpose of the finalised guidance was to ensure that lenders are clear about the effect of the FCA rules and the range of options lenders have to support their customers including those who are facing higher interest rates alongside the rising cost of living. The FCA have said that the guidance clarifies the effect of their existing rules and principles and is not intended to set new expectations or requirements of lenders or to repeat the position set out in other documents such as the expectations around repossessions or the treatment of vulnerable customers. It explains how lenders can support borrowers in, or at risk of, payment difficulty and confirms the flexibility lenders have under FCA rules and guidance to support borrowers in different ways.

The FCA makes clear in the Mortgages Tailored Support Guidance that it expects lenders of both owner-occupied and buy-to-let mortgage loans to act in a manner consistent with the guidance.

In March 2021, the FCA stated that as the more immediate impacts of COVID-19 begin to subside, they were considering whether they should make any permanent changes to their forbearance regimes for mortgages and credit in light of the Mortgages Tailored Support Guidance. It was proposed that this could include updating the rules and guidance in MCOB and incorporating elements of the Mortgages Tailored Support Guidance. On 25 May 2023, the FCA launched consultation CP23/13 setting out how they planned to incorporate aspects of the Mortgages Tailored Support Guidance into MCOB and withdraw the Mortgages Tailored Support Guidance.

On 10 April 2024, the FCA published PS24/2: Strengthening protections for borrowers in financial difficulty: Consumer credit and mortgages and the related Consumer Credit and Mortgages (Tailored Support) Instrument 2024 (FCA 2024/7). It also published FG24/2: Guidance for firms supporting existing mortgage borrowers impacted by rising living costs. The FCA have stated that they want to build on the Mortgages Tailored Support Guidance and provide a stronger framework for lenders to protect customers facing payment difficulties, they are doing this by incorporating relevant aspects of the Mortgages Tailored Support Guidance into their Handbook, as well as introducing further targeted changes. For mortgages, the FCA have changed their guidance to allow lenders more scope to capitalise payment shortfalls where appropriate and to improve disclosure for all customers in

payment shortfall. The new rules came into force on 4 November 2024 and the Mortgages Tailored Support Guidance was withdrawn. It is worth noting that the rules will not apply to unregulated buy-to-let loans.

Right-to-Buy Loans

Properties located in England and Wales sold under the Right-to-Buy scheme of the Housing Act 1985 are sold by the landlord at a discount to market value calculated in accordance with the Housing Act 1985. A purchaser under the scheme of the Housing Act 1985 must repay a maximum of the whole of the discount if the purchaser disposes of the property within one year of acquiring it from the landlord, four-fifths if the purchaser does so within two years, three-fifths if within three years, two-fifths if within four years and one-fifth if within five years.

The landlord in England and Wales obtains a statutory charge over the property in respect of the contingent liability of the purchaser under the scheme to repay the discount. Under the Housing Act 1985 such statutory charge ranks in priority to other charges including that of any mortgage lenders except in certain circumstances. Such statutory charge shall automatically rank behind any charge on the related property in relation to monies advanced by an approved lending institution to the extent they are advanced for the purpose of enabling the purchaser to exercise their right to buy.

In England and Wales, the purchaser is required, before a sale or disposal of the property within 10 years of the date of purchase, to offer the property to the landlord or another social landlord at full market value and to allow up to eight weeks for acceptance of the offer. A mortgage lender selling the property as a mortgagee in possession in such circumstances will also be obliged to grant such right of first refusal to the landlord or other social landlord.

SUMMARY OF THE PRINCIPAL DOCUMENTS

1. Trust Deed

(a) ***Summary***

The Trust Deed is the principal agreement governing the Covered Bonds. The Trust Deed contains provisions relating to, *inter alia*:

(i) the constitution of the Covered Bonds and the terms and conditions of the Covered Bonds (as more fully set out under *Conditions of the Covered Bonds* above);

(ii) the covenants of the Issuer and the LLP;

(iii) the terms of the *Covered Bond Guarantee* (as described below);

(iv) the enforcement procedures relating to the Covered Bonds and the Covered Bond Guarantee; and

(v) the appointment, powers and responsibilities of the Bond Trustee and the circumstances in which the Bond Trustee may resign or retire or be removed.

(b) ***Covered Bond Guarantee***

Under the terms of the Covered Bond Guarantee, if the Issuer defaults in the payment on the due date of any monies due and payable under or pursuant to the Trust Deed or the Covered Bonds or any Coupons, if any other Issuer Event of Default occurs (other than by reason of non-payment) or if an LLP Event of Default occurs, the LLP has agreed (subject as described below) to pay or procure to be paid (following service of an Issuer Acceleration Notice and Notice to Pay or, if applicable, an LLP Acceleration Notice) unconditionally and irrevocably to or to the order of the Bond Trustee (for the benefit of the Covered Bondholders), an amount equal to that portion of the Guaranteed Amounts which shall become Due for Payment but would otherwise be unpaid, as of any Original Due for Payment Date or, if applicable, Extended Due for Payment Date, by the Issuer (or an amount which would have become Due for Payment but for any variation, discharge or release of the Guaranteed Amounts). Under the Covered Bond Guarantee, the Guaranteed Amounts will become due and payable on any earlier date on which an LLP Acceleration Notice is served.

Following the occurrence of an Issuer Event of Default and after the Covered Bonds have been declared due and payable by the Bond Trustee as against the Issuer, following service of an Issuer Acceleration Notice, the Bond Trustee will serve a Notice to Pay on the LLP. Payment by the LLP of the Guaranteed Amounts pursuant to the Covered Bond Guarantee will be made on the day on which the Guaranteed Amounts are Due for Payment.

All payments of Guaranteed Amounts by or on behalf of the LLP will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature, unless the withholding or deduction of such taxes, assessments or other governmental charges is required by law or regulation or administrative practice of the United Kingdom or any political subdivision thereof or any authority therein or thereof having the power to tax. If any such withholding or deduction is required, the LLP will pay the Guaranteed Amounts net of such withholding or deduction and shall account to the appropriate tax authority for the amount required to be withheld or deducted. The LLP will not be obliged to pay any additional amount to the Bond Trustee or any holder of Covered Bonds in respect of the amount of such withholding or deduction.

Under the terms of the Covered Bond Guarantee, the LLP agrees that its obligations under the Covered Bond Guarantee shall be as principal debtor and not merely as surety and shall be absolute and unconditional, irrespective of, and unaffected by, any invalidity, irregularity, illegality or unenforceability of, or defect in, any provisions of the Trust Deed or the Covered Bonds or Coupons or the absence of any action to enforce the same or the waiver, modification or consent by the Bond Trustee or any of the Covered Bondholders or Couponholders in respect of any provisions of the same or the obtaining of any judgment or decree against the Issuer or any action to enforce the same or any other circumstances which might otherwise constitute a legal or equitable discharge or defence of a guarantor.

Subject to the grace period specified in Condition 10(b) (*LLP Events of Default*) of the Conditions, failure by the LLP to pay the Guaranteed Amounts when Due for Payment will result in an LLP Event of Default.

(c) ***Excess Proceeds following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice and a Notice to Pay***

The Trust Deed provides that the Excess Proceeds shall be paid by the Bond Trustee on behalf of the Covered Bondholders of the relevant Series to the LLP for its own account, as soon as practicable, and shall be held by the LLP in the Transaction Account and the Excess Proceeds shall thereafter form part of the Security and shall be used by the LLP in the same manner as all other monies from time to time standing to the credit of the Transaction Account. Any Excess Proceeds received by the Bond Trustee shall discharge *pro tanto* the obligations of the Issuer in respect of the Covered Bonds and Coupons. However, the obligations of the LLP under the Covered Bond Guarantee are (following service of an Issuer Acceleration Notice and Notice to Pay or, if earlier, service of an LLP Acceleration Notice) unconditional and irrevocable and the receipt by the Bond Trustee of any Excess Proceeds shall not reduce or discharge any of such obligations.

(d) ***Governing law***

The Trust Deed and any non-contractual obligation arising out of or in relation to the Trust Deed are governed by English law.

2. Intercompany Loan Agreement

(a) ***Summary***

On each Issue Date, the Issuer will lend the gross proceeds of the Covered Bonds issued under the Programme on that date to the LLP by way of a Term Advance pursuant to the Intercompany Loan Agreement. Each Term Advance will be made in the Specified Currency of the relevant Series or Tranche, as applicable, of the Covered Bonds, as set out in the applicable Final Terms, and will be swapped into Sterling pursuant to the relevant Covered Bond Swap Agreement. The Sterling Equivalent of each Term Advance will be used by the LLP:

(i) to purchase Mortgage Loans and their Related Security from the Seller in accordance with the terms of the Mortgage Sale Agreement; and/or

(ii) to invest in Substitution Assets in an amount not exceeding the prescribed limit,

to the extent required to meet the requirements of Regulations 23 and 24(1)(a) of the RCB Regulations and the Asset Coverage Test (as described below), and thereafter may be applied by the LLP:

(a) to purchase Mortgage Loans and their Related Security, from the Seller in accordance with the terms of the Mortgage Sale Agreement; and/or

(b) to invest in Substitution Assets in an amount not exceeding the prescribed limit; and/or

(c) subject to complying with the Asset Coverage Test, to make a Capital Distribution to the Seller (in its capacity as Member) by way of distribution of that Member's equity in the LLP in an amount equal to the Sterling Equivalent of the Term Advance or any part thereof, which shall be paid to the Member on the relevant Issue Date by telegraphic transfer or as otherwise directed by the Member; and/or

(d) if an existing Series or Tranche, or part of an existing Series or Tranche, of Covered Bonds is being refinanced (by the issue of a further Series or Tranche of Covered Bonds), to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced; and/or

(e) to make a deposit of all or part of the proceeds in the Transaction Account (including, without limitation, to fund the Reserve Fund to an amount not exceeding the prescribed limit) or the Issuer Account (in an amount not exceeding the Issuer Permitted Cash Amount).

Each Term Advance will bear interest at a rate of interest equal to the rate of interest payable on the corresponding Series or Tranche, as applicable, of Covered Bonds.

The Issuer will not be relying on repayment of any Term Advance in order to meet its repayment obligations under the Covered Bonds. The LLP will pay amounts due in respect of Term Advance(s) in accordance with the relevant Priorities of Payments. Prior to the service of an Asset Coverage Test Breach Notice (which has not been revoked) or a Notice to Pay on the LLP, amounts due in respect of each Term Advance will be paid by the LLP to, or as directed by, the Issuer on each Interest Payment Date, subject to paying all higher ranking amounts in the Pre-Acceleration Revenue Priority of Payments or, as applicable, the Pre-Acceleration Principal Priority of Payments. The Issuer may use the proceeds of the Term Advances to pay amounts due on the Covered Bonds. However, any failure by the LLP to pay any amounts due on the Term Advances will not affect the liability of the Issuer to pay the relevant amount due on the Covered Bonds. For so long as an Asset Coverage Test Breach Notice is outstanding and has not been revoked, the LLP may not borrow any new Term Advances (and the Issuer may not make any new Term Advances) under the Intercompany Loan Agreement.

The amounts owed by the LLP to the Issuer under the Term Advances will be reduced by: (i) any amounts paid by the LLP under the terms of the Covered Bond Guarantee to repay the Covered Bonds (the proceeds of which were originally applied to make such Term Advances); and (ii) the Principal Amount Outstanding of any Covered Bonds (the proceeds of which were originally applied to make such Term Advances) purchased by the LLP and cancelled in accordance with Condition 7(g) (*Cancellation*).

(b) ***Governing law***

The Intercompany Loan Agreement and any non-contractual obligation arising in out of or in relation to the Intercompany Loan Agreement is governed by English law.

3. Mortgage Sale Agreement

(a) ***The Seller***

Mortgage Loans and their Related Security will be sold to the LLP from time to time pursuant to the terms of the Mortgage Sale Agreement between Clydesdale Bank PLC (in its capacity as Seller), the LLP and the Security Trustee.

(b) ***Sale by the Seller of Mortgage Loans and Related Security***

Under the Mortgage Sale Agreement the Seller agreed to sell and assign the Initial Mortgage Portfolio, comprising the Mortgage Loans together with all Related Security, to the LLP on the First Transfer Date. Prior to an Issuer Event of Default or an LLP Event of Default, the Seller shall also be entitled to sell and assign New Mortgage Loans to the LLP on a Transfer Date, subject to the satisfaction of the Eligibility Criteria on such Transfer Date. In addition to providing for the sale and assignment of the Initial Mortgage Portfolio and New Mortgage Loans, the Mortgage Sale Agreement also sets out or provides for the following:

(i) the representations and warranties to be given by the Seller in relation to the Mortgage Loans and the Related Security (including any New Mortgage Loans and their Related Security);

(ii) the repurchase by the Seller of Mortgage Loans together with their Related Security which are the subject of a Product Switch (where the relevant criteria are not met) or in respect of which a Further Advance is made (in each case as further described in the section entitled "*Repurchase of Mortgage Loans subject to a Product Switch or a Further Advance*");

(iii) the repurchase of Mortgage Loans together with their Related Security where the Seller has materially breached any of the Loan Warranties in respect of such Mortgage Loans or their Related Security (the repurchase to include all Mortgage Loans of a Borrower included in the Mortgage Portfolio if such a breach occurs in respect of any Mortgage Loan of such Borrower);

(iv) the making of Borrow-backs in respect of Mortgage Loans comprised in the Mortgage Portfolio; and

(v) the circumstances for the transfer of legal title to the Mortgage Loans and their Related Security to the LLP.

In respect of English Mortgage Loans, the assignment will be an assignment which takes effect in equity only. In respect of Scottish Mortgage Loans, the Mortgage Sale Agreement will provide for the transfer of the beneficial interest in such Mortgage Loans and their Related Security to be effected by Scottish Declarations of Trust by the Seller in favour of the LLP on each relevant Transfer Date (and in relation to Scottish Mortgage Loans, references in this Prospectus to the "sale" or "assignment" of Mortgage Loans or to Mortgage Loans having been "sold" or "assigned" are to be read as references to the transfer of the beneficial interest therein by the making of such declarations of trust and the terms "assign", "assigned", "assignment", "sale" and "sell" shall in that context be construed accordingly). The transfer of legal title to the Mortgage Loans and their Related Security by way of legal assignment or assignation (as appropriate) may not occur or, if it does occur, will not occur until a later date, as described further in the section entitled "*Transfer of legal title to the LLP*" below.

Additionally, the LLP and the Seller are required to ensure that the Mortgage Portfolio is maintained at all times in compliance with the Asset Coverage Test (as determined by the Cash Manager on each Calculation Date). If on any Calculation Date there is a breach of the Asset Coverage Test the Seller will use all reasonable endeavours to offer to sell sufficient New Mortgage Loans and their Related Security to the LLP on or before the next Calculation Date.

The consideration for the sale and assignment of the Initial Mortgage Portfolio on the First Transfer Date and any New Mortgage Loans on the relevant Transfer Date will consist of:

(i) a cash payment to be made by the LLP from the proceeds of the relevant Term Advance (converted into Sterling at the relevant rate specified in any Covered Bond Swap Agreement entered into in respect thereof) and/or (in respect of any New Mortgage Loans) from Available Principal Receipts; and/or

(ii) the Seller being treated as having made a Capital Contribution in Kind in an amount equal to the difference between (i) the Current Balance for such Mortgage Loans as of the relevant Transfer Date and (ii) the cash payment (if any) made by the LLP; and

(iii) Deferred Consideration.

(c) ***Warranties***

The Mortgage Sale Agreement will contain warranties to be given by the Seller to the LLP and the Security Trustee in relation to each Mortgage Loan and its Related Security assigned to the LLP on the First Transfer Date and in relation to any New Mortgage Loans and their Related Security to be acquired by the LLP on a relevant Transfer Date. Neither the LLP nor the Security Trustee has carried out or will carry out any search, inquiry or independent investigation of the type which a prudent purchaser or mortgagee would normally be expected to carry out. Each is relying entirely on the Seller's warranties under the Mortgage Sale Agreement. Subject to agreed exceptions and materiality qualifications, the Seller's warranties under the Mortgage Sale Agreement (the "**Loan Warranties**") include, *inter alia*, the following:

(1) The particulars of each Mortgage Loan and its related Mortgage in the Mortgage Portfolio provided to the LLP pursuant to the Mortgage Sale Agreement are complete, true and accurate in all material respects.

(2) Other than in relation to a Mortgage Loan subject to a Product Switch, immediately prior to the relevant Transfer Date, the Seller was the absolute beneficial and legal owner of the Mortgage Loans, the Related Security and the other property to be assigned and transferred by the Seller to the LLP under the Mortgage Sale Agreement at the relevant Transfer Date and the Seller has not assigned (whether by way of absolute assignment, assignation or by way of security only), transferred, conveyed, charged, disposed of or dealt with the benefit of any of the Mortgage Loans or their related Mortgages, any of the other rights relating thereto or any of the property, rights, titles, interests or benefits to be sold or assigned pursuant to the Mortgage Sale Agreement.

(3) The Mortgage Loan Conditions and the Mortgage Loan Agreement for each Mortgage Loan and its related Mortgage and the Related Security constitute a valid and binding obligation of the Borrower enforceable in accordance with its terms (save any term which is not binding by virtue of the Unfair Terms in Consumer Contracts Regulations 1994, the Unfair Terms in

Consumer Contracts Regulations 1999 or the Consumer Rights Act 2015) and is non-cancellable and each such related Mortgage and the Related Security secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower to the Seller under the relevant Mortgage Loan in priority to any other charges registered against the relevant Mortgaged Property.

(4) At the time that it was made, each Mortgage Loan complied in all material respects with applicable laws, regulations and rules including, without limitation, with respect to consumer protection and data protection.

(5) The registration or recording of each Mortgage has been completed or is pending at HM Land Registry or the Registers of Scotland. If the registration or recording has been completed, the Seller (or, in the case of Scottish Mortgages, the relevant Originator) is registered or recorded as the legal title holder or heritable creditor in respect of each Mortgage. If the registration or recording is pending, so far as the Seller is aware, there is no caution, notice, inhibition, restriction or other matter which would prevent the registration or recording of the Mortgage as a first priority charge or, in Scotland, first ranking standard security and application has been made to HM Land Registry or the Registers of Scotland within the applicable priority period.

(6) Each Mortgage constitutes a first ranking charge by way of legal mortgage (in England and Wales) or a first ranking Standard Security (in Scotland) or a valid and subsisting first charge (in relation to registered land) over the relevant Mortgaged Property.

(7) Each relevant Mortgaged Property is located in England, Wales or Scotland.

(8) No lien or right of set off or counterclaim has been created or arisen between the Seller and any Borrower which would entitle such Borrower to reduce the amount of any payment otherwise due under the relevant Mortgage Loan Conditions and the Mortgage Loan Agreement save in relation to the Unfair Terms in Consumer Contracts Regulations 1994, the Unfair Terms in Consumer Contracts Regulations 1999 or the Consumer Rights Act 2015 or in relation to section 75 of the CCA.

(9) (a) where the related Mortgage is not covered by a valid title and/or local search insurance policy, save where the mortgage loan is a refinancing (of a loan originated by a third party) originated either through the intermediary/broker network of the relevant Originator using the panel solicitors of the relevant Originator (a "**third party refinancing**"), prior to making a Mortgage Loan to a Borrower, the relevant Originator instructed or required to be instructed on its behalf solicitors, licensed conveyancers or (in Scotland) qualified conveyancers to carry out in relation to the relevant Mortgaged Property all investigations, searches and other actions that would have been undertaken by the relevant Originator acting in accordance with standards consistent with those of a reasonable and prudent mortgage lender, lending to Borrowers in England and Wales in relation to English Mortgage Loans and in Scotland in relation to Scottish Mortgage Loans when advancing money in an amount equal to such advance to an individual to be secured on a property of the relevant kind and a report on title was received by or on behalf of the relevant Originator from such solicitors which, either initially or after further investigation revealed no material matter which would cause the relevant Originator, acting reasonably, to decline the Mortgage Loan having regard to its Lending Criteria in force at that time, or (b) where the mortgage loan is a third party refinancing and where the related mortgage is not covered by a valid title and/or local search insurance policy, prior to making the mortgage loan, then the relevant Originator instructed, or required to be instructed on its behalf, solicitors, licensed conveyancers or, in Scotland, qualified conveyancers to carry out, in relation to the relevant mortgaged property, a limited form of investigation of title for residential property in England and Wales or Scotland, as applicable, confirming that the name of the borrower is that shown on the relevant title deeds and such other matters as may be required by a reasonable prudent mortgage lender in relation to loans that are equivalent to third party refinancing, or (c) where the related Mortgage Loan is covered by a valid title and/or local search insurance policy, then the title and/or local search insurance policy has been issued by a reputable title insurance company that has previously been approved by the Seller, is in full force and effect and all premiums thereon due on or before the relevant Transfer Date have been paid in full and the Seller is not aware of any circumstances giving the insurer under the policy the right to avoid or terminate such policy.

(10) In relation to each English Mortgage Loan, the Borrower has a good and marketable title to, and absolute unencumbered legal ownership of, the relevant Mortgaged Property and in relation to each Scottish Mortgage Loan the Borrower has a valid and marketable heritable or long lease title to, and absolute unencumbered legal ownership of, the relevant Mortgaged Property (in each case, subject to any prior encumbrances that are permitted pursuant to the loan terms and noted in initial variations).

(11) Prior to making a Mortgage Loan (other than a Further Advance) the relevant property was valued by an independent valuer from the panel of valuers from time to time appointed by the relevant Originator, by an employee valuer of the relevant Originator or by a desktop valuation by an employee valuer of the relevant Originator (including by way of automated valuation methodology), and the results of such valuation would be acceptable to a reasonable and prudent mortgage lender. In respect of a Further Advance, such Originator valued the relevant Mortgaged Property by using either an indexed valuation figure provided by a UK pricing index, a desktop valuation by an employee valuer of the relevant Originator (including by way of automated valuation methodology) or by using the then current valuation of the Mortgaged Property.

(12) Prior to making a Mortgage Loan, the nature and amount of such Mortgage Loan, the circumstances of the relevant Borrower and nature of the relevant Mortgaged Property satisfied the Lending Criteria in force at that time in all material respects.

(13) The exercise of any discretion by the relevant Originator in the making of any Mortgage Loan has been consistent with the practice of a reasonable and prudent residential mortgage lender.

(14) Each Mortgage Loan and its related Mortgage has been made on the terms of the Standard Mortgage Documentation applicable thereto at the time of origination (so far as applicable) which has not been varied in any material respect other than in respect of any variations which were consistent with the practice of a reasonable and prudent residential mortgage lender.

(15) No agreement for any Mortgage Loan (other than to the extent it relates to the funding of buildings insurance premia) is or has ever been, wholly or partly regulated by the CCA (other than by Sections 137 to 140 of the CCA) or constitutes an unfair relationship or, to the extent it is so regulated or partly regulated, all the requirements of the CCA have been met in full.

(16) Interest on each Mortgage Loan: (a) is charged on the capital balance of each Mortgage Loan in accordance with the provisions of the applicable Mortgage Loan Conditions and the Mortgage Loan Agreement and its related Mortgage; (b) is not in any event adjusted by reference to the principal amount due thereunder; (c) is payable monthly in arrears; and (d) is calculated by reference to the Standard Variable Rate or the BoE base rate, subject to any applicable caps, discounts and fixed rates and the Base Rate Pledge; and (e) subject to (d) above, may be set by the Seller and its successors, assigns or assignees to that Mortgage Loan.

(17) No payment of interest (or in the case of Repayment Mortgage Loans, principal and interest) equivalent to an amount in excess of one month's instalment at the applicable rate in respect of a Mortgage Loan was at any time during the 12 months before the relevant Transfer Date in arrears, or if the relevant Mortgage Loan was originated less than 12 months prior to the relevant Transfer Date, since the date of origination.

(18) So far as the Seller is aware, no Borrower is in material breach of its Mortgage Loan Conditions.

(19) So far as the Seller is aware, the underwriting, origination and completion of each Mortgage Loan is not the subject of fraud by any person (including, without limitation, the Borrower or any professional or third party employed or engaged on behalf of the relevant Originator).

(20) As at the relevant Transfer Date, the first payment due has been paid by the relevant Borrower in respect of each Mortgage Loan and each Mortgage Loan was fully performing.

(21) The Mortgage Loan Conditions and the Mortgage Loan Agreement for each Mortgage Loan and its related Mortgage and its Related Security require the Borrower to arrange and maintain appropriate buildings insurance cover over the Mortgaged Property, and the relevant Originator

took all reasonable steps to ensure that at the date of completion of the relevant Mortgage Loan each Mortgaged Property was:

(a) insured under a buildings policy in the names of *inter alia* the Borrower; or

(b) with respect to leasehold properties, insured by the relevant landlord with the relevant Originator's approval,

and in all cases against risks usually covered by a comprehensive buildings policy and to an amount not less than the full reinstatement cost of such Mortgaged Property as determined by an independent valuer or a valuer employed by the relevant Originator.

(22) The Insurance Contracts arranged in respect of any Mortgaged Property are in full force and effect and, as far as the Seller is aware, all premia thereon due on or before the date of the Mortgage Sale Agreement have been paid in full and the Seller is not aware of any circumstances giving the insurer under the Insurance Contracts the right to avoid or terminate such policy insofar as it relates to the Mortgaged Properties or the Mortgage Loans.

(23) To the extent that a Guarantee was required under the Lending Criteria in force at that time in relation to a particular Mortgage Loan, that Guarantee constitutes the valid, binding and enforceable obligations of the guarantor thereunder (save to the extent that any term of the Guarantee is not valid, binding or enforceable by virtue of the Unfair Terms in Consumer Contracts Regulations 1994 or the Unfair Terms in Consumer Contracts Regulations 1999).

(24) If a Mortgaged Property is leasehold or long leasehold, written notice has been served to the landlord of the creation of the Mortgage.

(25) So far as the Seller is aware, any person who at the date when the Mortgage Loan was made has been identified by the Borrower to the Seller as residing or about to reside in the relevant Mortgaged Property is either named as joint Borrower or, in the case of a Buy-to-Let Mortgage Loan, a tenant, or (i) in relation to the English Mortgage Loans, has signed a form of consent declaring that he or she agrees that any present or future rights or interests as he or she may have or acquire over or in respect of the relevant Mortgaged Property shall be postponed and made subject to the rights, interests and remedies of the Seller under the relevant Mortgage and that he or she shall not claim any such rights or interests against the Seller and (ii) in relation to each Scottish Mortgage, all necessary MHA/CP Documentation has been obtained to ensure that neither the relevant Mortgage nor the relevant Mortgaged Property is subject to a right of occupancy other than, in the case of a Buy-to-Let Mortgage Loan, under the relevant tenancy.

(26) No Borrower was under 18 years of age at the time of completion of the relevant Mortgage Loan.

(27) Each Mortgage Loan had an initial term of between 2 and 50 years.

(28) At all times since each Mortgage Loan was acquired by the Seller (in the case of Mortgage Loans originated by the NRAM Originator) or since their origination (in the case of Mortgage Loans originated by the relevant Originator), the Seller has procured that full and proper accounts, books and records have been kept showing clearly all material transactions, payments, receipts and proceedings relating to that Mortgage Loan and its Mortgage and all such accounts, books and records are up to date and in the possession of the Seller or held to its order (subject to the provisions of the Mortgages Trust Deed).

(29) The origination practices employed by the relevant Originator with respect to the Mortgage Loans have been, in all respects, legal and consistent with the practice of a reasonable and prudent residential mortgage lender.

(30) The collection and administration practices employed by the Seller with respect to the Mortgage Loans have been, in all respects, legal and consistent with the practice of a reasonable and prudent mortgage lender.

(31) So far as the Seller is aware it has not received written notice of any litigation or claim calling into question in any material way its title to any Mortgage Loan and its Mortgage or the value

of any security. So far as the Seller is aware it has not engaged in any litigation, and no litigation is pending or threatened by the Seller against any person in connection with any report, valuation, opinion, certificate, consent or other statement of fact or opinion given in connection with any Mortgage Loan received by the Seller in connection with the origination of any Mortgage Loan.

(32) In respect of any Mortgaged Property which is subject to a second or subsequent mortgage or Standard Security, the Seller has first priority for the full amount of the Mortgage Loan and all costs, fees and expenses relative thereto.

(33) All Title Deeds and Mortgage Loan Files are held by, or to the order of, the Seller or the LLP.

(34) Each Borrower is a natural person, and no Borrower is at the relevant Transfer Date an employee or an officer of the Seller.

(35) All Mortgage Loans were originated by or on behalf of the relevant Originator in the ordinary course of the relevant Originator's residential secured lending activities.

(36) The Mortgage Loan Conditions and the Mortgage Loan Agreement in relation to each Mortgage Loan contain no obligation on the part of the Seller to make any Further Advance, Borrow-back or Product Switch and all costs, fees and expenses incurred in making, completing or registering the Mortgage Loans and the Related Security have been paid in full.

(37) To the extent that the Unfair Terms in Consumer Contracts Regulations 1999 or the Consumer Rights Act 2015 apply to any mortgage loan between the Seller and the relevant borrower, so far as the Seller is aware, none of the terms of the agreement for the mortgage loan and its related mortgage have been found by a court to be unfair terms within the meaning of the Unfair Terms in Consumer Contracts Regulations 1999 or the Consumer Rights Act 2015 (as applicable) in any material respect save those which impose early repayment charges.

(38) No Mortgage Loan has a Current Balance of more than £1,500,000.

(39) Each Mortgage Loan was originated by the relevant Originator in Sterling and is denominated in Sterling and is currently repayable in Sterling.

(40) As far as the Seller is aware all Cash Borrow-backs to which the Seller has consented have been made as required by the Seller.

(41) Each Originator's Lending Criteria in force at the time of origination of each Mortgage Loan were consistent with the criteria that would have been used by a reasonable and prudent mortgage lender at that time.

(42) The Seller is not aware of any material claim outstanding under any of the buildings policies relating to a Mortgaged Property.

(43) No Related Security consists of stock or marketable securities (in either case for the purposes of Section 122 of the Stamp Act 1891) chargeable securities (for the purpose of Section 99 of the Finance Act 1986) or a "chargeable interest" (for the purposes of Section 48 of the Finance Act 2003).

(44) To the best of the Seller's knowledge and belief, at the time of origination of each Mortgage Loan each Mortgaged Property was a flat or a house and was, other in respect of Buy-to-Let Mortgage Loans, owner-occupied.

(45) No Mortgage Loan is a Help to Buy Mortgage Loan.

(46) In relation to each Right to Buy Mortgage Loan:

(a) except in relation to the Scottish Mortgage Loans, the relevant Originator was, at the time of origination of such Right to Buy Mortgage Loan, an approved lending institution within the meaning given to that expression in the Housing Act 1985 (as amended by the Housing Act 2004);

(b) the original advance was made to the person exercising the right to buy;

(c) the original advance was made wholly for the purposes of enabling the recipient thereof to purchase the relevant Mortgaged Property, home improvements and solicitors or licensed or qualified conveyancer's fees only; and

(d) is not subject to a shared ownership arrangement where the related Mortgage is only secured over part (rather than the whole) of the beneficial interest in the Mortgaged Property.

(47) No Mortgage Loan is an Equity Release Mortgage Loan.

(48) Save in respect of Product Switches, none of the provisions of the agreement in respect of the mortgage loan were (at the time any such agreement was entered into) or have since been waived, altered or modified except a change to the terms of the mortgage loan to which a reasonable and prudent mortgage lender would have agreed.

(49) Each Mortgage Loan was made to a Borrower who was resident in the United Kingdom or EEA at the time of origination.

(50) To the best of the Seller's knowledge, no Borrower had ever filed for bankruptcy or been sequestrated or had a county court judgment or court decree in excess of £500 entered or awarded against him in the six year period prior to the date they executed the relevant Mortgage.

(51) Each Mortgage Loan and its Related Security will be "eligible property" for the purposes of Regulation 2 of the RCB Regulations.

If New Mortgage Loan Types (including Offset Mortgage Loans) are to be sold to the LLP, then the Loan Warranties may be modified as required to accommodate these New Mortgage Loan Types. The prior consent of the Covered Bondholders to the requisite amendments will not be required to be obtained, provided that the Ratings Condition is satisfied in respect of such modifications.

Equity Release Mortgage Loan means a mortgage loan originated under an equity release plan in the form of either a lifetime mortgage or a home reversion plan and where repayment of such mortgage loan is due on the earlier to occur of the death of the borrower and the sale of the relevant property.

(d) ***Eligibility Criteria***

Pursuant to the terms of the Mortgage Sale Agreement, the Seller shall be entitled to sell, and the LLP shall be entitled to purchase New Mortgage Loans and their Related Security from the Seller, subject to satisfaction of the following criteria (the "**Eligibility Criteria**") on the relevant Transfer Date:

(i) no New Mortgage Loan being in breach of the Loan Warranties as at the relevant Transfer Date;

(ii) no Issuer Event of Default or LLP Event of Default under the Transaction Documents shall have occurred which is continuing as at the relevant Transfer Date;

(iii) the LLP, acting on the advice of the Cash Manager, is not aware, and could not reasonably be expected to be aware, that the purchase of the Mortgage Loans and their Related Security, would adversely affect the then current ratings by Moody's or Fitch of the Covered Bonds;

(iv) the weighted average yield on the Mortgage Loans in the Mortgage Portfolio (including the New Mortgage Loans) is at least 0.40 per cent. greater than the SONIA Spot Rate published on the final London Banking Day in the previous Calculation Period, after taking into account (i) the average yield on the Mortgage Loans and (ii) the margins on the Interest Rate Swaps and (iii) the average yield on any Substitution Assets held by the LLP;

(v) no Mortgage Loan which is proposed as a New Mortgage Loan to be sold on any Transfer Date relates to a Mortgaged Property which is not a residential property;

(vi) no Mortgage Loan constitutes a New Mortgage Loan Type, in respect of which the Ratings Condition has not been satisfied in accordance with the terms of the Mortgage Sale Agreement; and

(vii) the aggregate Current Balance of all Buy-to-Let Mortgage Loans in the Mortgage Portfolio (including the New Mortgage Loans) will not exceed 15 per cent. of the aggregate Current Balance of all Mortgage Loans in the Mortgage Portfolio as calculated at the end of the previous Calculation Period.

provided that if the relevant Transfer Date is an Issue Date, only conditions (i), (ii), (iv), (v), (vi) and (vii) are required to be satisfied to effect an assignment and transfer of the mortgage loans that are proposed to be New Mortgage Loans. If New Mortgage Loan Types (including Offset Mortgage Loans) are to be sold to the LLP, then the Eligibility Criteria may be modified as required to accommodate these New Mortgage Loan Types. The prior consent of the Covered Bondholders to the requisite amendments will not be required to be obtained, provided that the Ratings Condition is satisfied in respect of such modifications.

(e) ***Repurchase by the Seller for breach of Loan Warranty***

The Seller will agree in the Mortgage Sale Agreement to repurchase any Mortgage Loan (including any Mortgage Loan that is subject to a Product Switch) (including any accrued interest thereon) together with its Related Security and all other Mortgage Loans in the relevant Mortgage Account if a Mortgage Loan or its Related Security does not materially comply on (i) the First Transfer Date; (ii) (in the case of any New Mortgage Loans) the relevant Transfer Date; or (iii) (in respect of any Mortgage Loan or New Mortgage Loan which is subject to a Product Switch) the last day of the Calculation Period in which the relevant Product Switch was made, with the Loan Warranties given by the Seller under the Mortgage Sale Agreement and the Seller does not remedy such breach within 60 days of the Seller or the Administrator becoming aware of such breach and providing written notice of such breach to any of the LLP or the Security Trustee (provided that references in the Loan Warranties to "Transfer Date" shall, for the purposes of (iii) in this paragraph (e), be deemed to refer to the last day of the Calculation Period in which the relevant Product Switch was made).

The Seller will have no other liability for breach of a Loan Warranty other than the obligation to repurchase.

For so long as the Seller is the Administrator, it must notify the LLP and the Security Trustee of any material breach of a Loan Warranty as soon as it becomes aware of such breach.

The price payable by the Seller upon the repurchase of any Mortgage Loan and its Related Security is an amount (not less than zero) equal to the Current Balance plus accrued interest on such Mortgage Loan as of the date of completion of such repurchase plus expenses payable thereon to the date of repurchase (provided always that in relation to a Mortgage Loan which is required to be repurchased as a result of a Product Switch of such Mortgage Loan enabling the Borrower to "offset" mortgage payments against other amounts on deposit with the Seller, the Current Balance and all accrued interest for the repurchase of such Mortgage Loan shall be calculated on the basis that no offset occurred whilst such Mortgage Loan was sold and assigned by the Seller to the LLP pursuant to the Mortgage Sale Agreement) (the "**Repurchase Price**").

(f) ***Additional circumstances where Seller may repurchase***

Repurchase of Mortgage Loans subject to a Product Switch or a Further Advance

If the Administrator notifies the Seller and the LLP that it has accepted an application from, or has had an offer accepted by, a Borrower for a Product Switch in respect of any Mortgage Loan in the Mortgage Portfolio and any of the Eligibility Criteria referred to conditions (iv), (v), (vi) or (vii) of paragraph (d) above are not satisfied on the last day of the Calculation Period in which the Product Switch is made (provided that for these purposes references in the definition of "Eligibility Criteria" to (i) a "New Mortgage Loan" are to be construed as references to the Mortgage Loan which has been subject to such Product Switch; (ii) "to be sold" or "purchase" are to be construed as references to the making of the Product Switch and (iii) "Transfer Date" are to be construed as references to the last day of the Calculation Period in which the Product Switch is made), the LLP shall:

(i) subject to paragraph (ii) below, re-assign and re-transfer to the Seller (and the Seller shall then accept an assignment and re-transfer of) its Assigned Rights in relation to the relevant Mortgage Loan(s); or

(ii) in the event of a breach of the Eligibility Criteria referred to in conditions (iv) or (vii) of paragraph (d) above the LLP will request that the Seller offer to sell sufficient New Mortgage Loans and their Related Security to the LLP on or before the Calculation Date immediately following the last day of the Calculation Period in which the Product Switch was made, so as to ensure that paragraph (iv) or (vii), as the case may be, of the Eligibility Criteria would be satisfied immediately following the sale of such New Mortgage Loans. For the avoidance of doubt, in the event that the Seller does not accept such request, the Seller shall instead accept the re-assignment and re-transfer of the relevant Mortgage Loans in accordance with paragraph (i) above.

Where the Administrator accepts an application from, or has an offer accepted by, a Borrower for a Product Switch, the Administrator shall promptly notify the Seller and the LLP in writing.

Pursuant to the Administration Agreement, the Administrator shall not accept an application, or make an offer, for a Further Advance without first having received confirmation that the Seller will repurchase the relevant Mortgage Loan(s) together with the Related Security from the LLP in accordance with the terms of the Mortgage Sale Agreement. No Further Advance will be made or effected unless and until the Seller has repurchased the Mortgage Loan(s) together with its Related Security from the LLP in accordance with the terms of the Mortgage Sale Agreement. If the Administrator and the LLP are notified or are otherwise aware that a Borrower has requested a Further Advance and the Administrator and the LLP have received confirmation that the Seller will repurchase the relevant Mortgage Loan and its Related Security, the LLP shall at any time upon notice from the Seller assign to the Seller and the Seller shall repurchase such Mortgage Loan together with its Related Security (and, for the avoidance of doubt, together with any other Mortgage Loans secured on the same property) in accordance with the Mortgage Sale Agreement at the Repurchase Price.

Defaulted Mortgage Loans

If a Seller receives a Defaulted Mortgage Loans Notice from the Cash Manager identifying any Defaulted Mortgage Loan, then that Defaulted Mortgage Loan will be attributed a reduced weighting in the calculation of the Asset Coverage Test and the Amortisation Test as at the relevant Calculation Date. In addition, the Seller may, at its option, repurchase a Defaulted Mortgage Loan and its Related Security from the LLP for an amount equal to the Repurchase Price. The LLP may accept such offer at its discretion.

General ability to repurchase

Prior to the occurrence of an Issuer Event of Default, the Seller may from time to time offer to repurchase a Mortgage Loan and its Related Security from the LLP for an amount equal to the Repurchase Price. The LLP may accept such offer at its discretion.

Right of Pre-emption

Under the terms of the Mortgage Sale Agreement, the Seller has a right of pre-emption in respect of any sale, in whole or in part, of Selected Mortgage Loans and their Related Security.

The LLP will serve on the Seller a Selected Mortgage Loans Offer Notice offering to sell those Selected Mortgage Loans and their Related Security for an offer price equal to the greater of the then Current Balance plus accrued and unpaid interest on the Selected Mortgage Loan plus expenses payable thereon and the Adjusted Required Redemption Amount, subject to the offer being accepted by the Seller within ten Business Days. If an Issuer Event of Default has occurred but no liquidator or administrator has been appointed to the Seller, the Seller's right to accept the offer (and therefore its right of pre-emption) will be conditional upon the delivery by the Seller of a solvency certificate to the LLP and the Security Trustee. If the Seller rejects the LLP's offer or fails to accept it in accordance with the foregoing, the LLP will offer to sell the Selected Mortgage Loans and their Related Security to other Purchasers (as described under "*LLP Deed – Sale of Selected Mortgage Loans and their Related Security following the occurrence of an Issuer Event of Default*", below).

If the Seller validly accepts the LLP's offer to sell the Selected Mortgage Loans and their Related Security, the LLP will, within three Business Days of such acceptance, serve a Selected Mortgage Loans Repurchase Notice on the Seller. The Seller will sign and return a duplicate copy of the Selected Mortgage Loan Repurchase Notice and will repurchase from the LLP free from the Security created by and pursuant to the Deed of Charge the relevant Selected Mortgage Loans and their Related Security (and any other Mortgage Loan secured or intended to be secured by that Related Security or any part of it) referred to in the relevant Selected Mortgage Loan Repurchase Notice. Completion of the purchase of the Selected Mortgage Loans and their Related Security by the Seller will take place on the LLP Payment Date after receipt of the Selected Mortgage Loan Repurchase Notice(s) or such date as the LLP may direct in the Selected Mortgage Loan Repurchase Notice (provided that such date is not later than the earlier to occur of the date which is: (a) ten Business Days after returning the Selected Mortgage Loan Repurchase Notice to the LLP; and (b) the Final Maturity Date of the Earliest Maturing Covered Bonds).

(g) ***Product Switches and Further Advances***

Repurchases by the Seller of Mortgage Loan(s) and their Related Security subject to a Product Switch (where the relevant conditions are not met) or a Further Advance are described under "*Repurchase of Mortgage Loans subject to a Product Switch or a Further Advance*" above.

In considering whether to grant a request of a Borrower for a Product Switch or a Further Advance, or whether to offer a Product Switch or a Further Advance to a Borrower, the Administrator shall act in accordance with its then procedure which would be acceptable to a reasonable and prudent residential mortgage administrator. (see "*Administration Agreement*" below).

The LLP may not itself offer or make any Product Switch or Further Advances.

(h) ***Borrow-backs***

Cash Borrow-backs

The Seller is solely responsible for funding all future Cash Borrow-backs in respect of Mortgage Loans comprising the Mortgage Portfolio. The amount of the Seller's Capital Contribution will increase by the amount of the funded Cash Borrow-backs.

Non-Cash Borrow-backs

In the event that the Seller permits a Borrower to make a Non-Cash Borrow-back, the Seller will be required to pay to the LLP an amount equal to the unpaid interest associated with that Non-Cash Borrow-back and the amount of any such payment representing capitalised interest in respect of that Non-Cash Borrow-back shall constitute a Cash Capital Contribution by the Seller to the LLP.

(i) ***Transfer of legal title to the LLP***

The Mortgage Loans and their Related Security will be assigned to the LLP by way of an assignment which takes effect in equity or (in relation to Scottish Mortgage Loans and their Related Security) the beneficial interest in such Scottish Mortgage Loans and their Related Security will be transferred to the LLP by way of each Scottish Declaration of Trust. As a result, legal title to the Mortgage Loans and their Related Security will remain with the Seller until such time as certain additional steps have been taken including the giving of notices of the assignment to the Borrowers or (in relation to Scottish Mortgage Loans and their Related Security) the execution of assignations by the Seller in favour of the LLP together with notification of the assignation to the Borrowers.

In relation to the mortgages of registered land in England or Wales or over any land in Scotland, which will be transferred to the LLP on the First Transfer Date or on a subsequent Transfer Date, until such time as the legal assignment or (as applicable) assignation of such Mortgages have been completed and registered at HM Land Registry or the Registers of Scotland, the sale to the LLP will take effect in equity and transfer beneficial title only or, in the case of the Scottish Mortgages, will be given effect by way of each Scottish Declaration of Trust. In the case of Mortgages of unregistered land in England and Wales, in order for legal title to pass to the LLP, conveyances or assignments of the relevant Mortgages would have to be completed in favour of the LLP.

Under the Mortgage Sale Agreement, none of the Seller, the LLP or the Security Trustee will require the execution and completion of such transfers, assignations and conveyances in favour of the LLP or the registration or recording of such transfers, assignations or service of notice on Borrowers in order to effect the transfer of legal title to the Mortgage Loans and their Related Security (including, where appropriate, their registration), except in the limited circumstances described below.

The Seller shall be obliged to give notice of assignment or (as applicable) assignation of the Mortgage Loans to the Borrower following the occurrence of a Relevant Event (as described below). The execution of transfers or assignations of legal title to the Mortgage Loans and their Related Security to the LLP (together with the relevant notices to the Borrowers) will be required to be completed by the Seller within 60 Business Days of receipt of written notice from the LLP or the Security Trustee upon the occurrence of any of the following (each a "**Relevant Event**"):

(i) the service of a Notice to Pay (unless the Seller has notified the LLP that it will accept the offer set out in the Selected Mortgage Loans Offer Notice within the prescribed time) or an LLP Acceleration Notice;

(ii) following the termination of the Seller's role as Administrator under the Administration Agreement, the failure of any substitute Administrator to administer the Mortgage Portfolio in accordance with the terms of the Administration Agreement;

(iii) the Seller being required by a court of competent jurisdiction, or by a change in law occurring after the First Transfer Date, or by a regulatory authority or organisation whose members include mortgage lenders of which the Seller is a member or with whom it is customary for the Seller to comply, to perfect the transfer of legal title to the Mortgage Loans and Related Security in favour of the LLP;

(iv) the security under or pursuant to the Deed of Charge or any material part of such security being in jeopardy and it being necessary to perfect the transfer of legal title to the Mortgage Loans and their Related Security in favour of the LLP in order to materially reduce such jeopardy;

(v) notice in writing from the Seller to the LLP (with a copy to the Security Trustee) requesting such a transfer or assignation;

(vi) the occurrence of an Insolvency Event in relation to the Seller (including without limitation the taking of any action for the appointment of any receiver, administrator or liquidator of the Seller); or

(vii) in respect of Selected Mortgage Loans only, at the request of the LLP following the acceptance of any offer to sell the Selected Mortgage Loans and their Related Security to any person who is not the Seller.

If such transfer of legal title is not completed within this period, the Seller, if in its reasonable opinion it is able to do so, shall continue to seek such transfer until it is completed. The LLP shall, following a Relevant Event, register any transfer or assignation of the legal title to a Mortgage at HM Land Registry or Registers of Scotland as soon as reasonably practicable following receipt (or execution by the LLP) of such transfer or assignation and shall respond expeditiously to all requisitions raised by HM Land Registry or Registers of Scotland.

(j) ***All Monies Mortgage Trust***

In relation to those Mortgages for the Mortgage Loans which constitute all monies security ("**All Monies Mortgages**") which secure the repayment of Associated Debt as well as the relevant Mortgage Loan (for these purposes "**Associated Debt**" means the indebtedness a Borrower owes or may owe to the Seller from time to time which is not a Mortgage Loan) and which the Seller will contract to sell and assign to the LLP on the First Transfer Date or on a subsequent Transfer Date, the proceeds of enforcement of such All Monies Mortgages will not form part of the Mortgage Portfolio so long as there is Associated Debt outstanding. Instead, following the enforcement of any All Monies Mortgage, the proceeds of such enforcement will be held upon trust by the LLP for itself and the Seller as beneficiaries, as applicable (the "**All Monies Mortgage Trust**"), the LLP being, in such capacity, the "**All Monies Mortgage Trustee**".

The Mortgage Sale Agreement will provide that the All Monies Mortgage Trustee, upon receipt of the proceeds of enforcement of any All Monies Mortgage, shall distribute such proceeds (a) first, to the All Monies Mortgage Trustee in an amount sufficient to pay in full all amounts due and payable under such Mortgage Loan and (b) second, to the Seller in or towards discharge of the Associated Debt, such amounts in (b) referred to as the "**All Monies Mortgage Consideration**".

(k) ***Title Deeds***

The Title Deeds and Mortgage Loan Files relating to the Mortgage Loans are currently held by or to the order of the Seller or by solicitors acting for the Seller in connection with the creation of the Mortgage Loans and their Related Security. Under the Administration Agreement the Administrator will undertake that from the First Transfer Date all the Title Deeds and Mortgage Loan Files at any time in its possession or under its control or held to its order relating to the Mortgage Loans which are on the First Transfer Date or at any time thereafter assigned to the LLP will be held to the order of the LLP. The Administrator will keep, or cause to be kept, the Title Deeds and Mortgage Loan Files relating to each Mortgage Loan and each Mortgaged Property in safe custody and shall not part with possession, custody or control of them except in the limited circumstances specified in the Administration Agreement.

(l) ***New Sellers***

In the future, any New Seller that wishes to sell loans and their Related Security to the LLP will accede to, *inter alia*, the Mortgage Sale Agreement. The sale of New Mortgage Loans and their Related Security by New Sellers to the LLP will be subject to certain conditions, including the following:

(i) each New Seller accedes to the terms of the LLP Deed as Member (with such subsequent amendments as may be agreed by the parties thereto) so that it has, in relation to those New Mortgage Loans and their Related Security to be sold by the relevant New Seller, substantially the same rights and obligations as the Seller had in relation to those Mortgage Loans and their Related Security comprised in the Initial Mortgage Portfolio under the LLP Deed;

(ii) each New Seller accedes to the terms of the Mortgage Sale Agreement (with such subsequent amendments as may be agreed by the parties thereto) or enters into a new mortgage sale agreement with the LLP and the Security Trustee, in each case so that it has, in relation to those New Mortgage Loans and their Related Security to be sold by the relevant New Seller, substantially the same rights and obligations as the Seller had in relation to those Mortgage Loans and their Related Security comprised in the Initial Mortgage Portfolio under the Mortgage Sale Agreement;

(iii) each New Seller accedes to the Dealer Agreement and enters into such other documents as may be required by the Security Trustee and/or the LLP (acting reasonably) to give effect to the addition of a New Seller to the transactions contemplated under the Programme;

(iv) any New Mortgage Loans and their Related Security sold by a New Seller to the LLP comply with the Eligibility Criteria set out in the Mortgage Sale Agreement;

(v) either the Administrator administers the New Mortgage Loans and their Related Security sold by a New Seller on the terms set out in the Administration Agreement (with such subsequent amendments as may be agreed by the parties thereto) or the New Seller (or its nominee) enters into an administration agreement with the LLP and the Security Trustee which sets out the administration obligations of the New Seller (or its nominee) in relation to the New Mortgage Loans and their Related Security and which is on terms substantially similar to the terms set out in the Administration Agreement (fees payable to the Administrator or the New Seller (or its nominee) acting as administrator of such New Mortgage Loans and their Related Security would be determined on the date of the accession of the New Seller to the Programme);

(vi) the Security Trustee is provided with a certificate signed by a duly authorised signatory of the Issuer and a certificate of a Designated Member of the LLP stating that any accession of a New Seller to the Programme will not prejudice the Asset Coverage Test; and

(vii) the Security Trustee is satisfied that the accession of a New Seller to the Programme is not materially prejudicial to the Covered Bondholders, and the Ratings Condition has been satisfied in relation thereto.

If the above conditions are met, the consent of the Covered Bondholders will not be obtained to the accession of a New Seller to the Programme.

(m) ***Governing Law***

The Mortgage Sale Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law (other than certain aspects relating to the Scottish Mortgage Loans and their Related Security, which are construed according to Scots law). Each Scottish Declaration of Trust will be governed by, and construed in accordance with, Scots law.

4. Administration Agreement

(a) ***Appointment***

Pursuant to the terms of the Administration Agreement, originally entered into on the Initial Programme Date between, amongst others, the LLP, Clydesdale Bank PLC (in its capacity as Seller, Administrator and Cash Manager) and the Security Trustee, as amended and/or supplemented and/or restated from time to time, the Administrator has agreed to administer on behalf of the LLP the Mortgage Loans and their Related Security sold by the Seller to the LLP. The Administrator will continue to administer the Mortgage Loans which have not been transferred beneficially to the LLP. The Administrator will agree to administer the Mortgage Loans transferred beneficially to the LLP in the same manner as it administers the Mortgage Loans which have not been transferred beneficially to the LLP but remain on the books of the Seller.

Subject to the provisions of the Administration Agreement, the Mortgage Loans, and the Transaction Documents, the Administrator has the power to do or cause to be done any and all things which it reasonably considers necessary, convenient or incidental to the administration of the Mortgage Loans and their Related Security or the exercise of such rights, powers and discretions or the performance of such duties.

The Administrator will agree to comply with any direction, order and instruction which the LLP or, following the service of an LLP Acceleration Notice, the Security Trustee, may from time to time give to it in accordance with the provisions of the Administration Agreement.

The Administrator has agreed to administer and service the Mortgage Loans and their Related Security in accordance with:

(i) the terms and conditions of the Mortgage Loans;

(ii) the Administrator's administration procedures. The Administrator's administration procedures are the administration, arrears and enforcement policies and procedures, as amended from time to time pursuant to which the Administrator administers and enforces Mortgage Loans and their Related Security which are beneficially owned by the Seller; and

(iii) the terms and provisions of the Administration Agreement.

(b) ***Undertakings by the Administrator***

Under the Administration Agreement, the Administrator will undertake, among other things:

(i) not to accept an application from, or make an offer for a Further Advance without having received confirmation that the Seller will repurchase the relevant Mortgage Loan(s) together with the Related Security from the LLP in accordance with the terms of the Mortgage Sale Agreement and not to make a Further Advance unless and until the Seller has repurchased the relevant Mortgage Loan(s) together with the Related Security from the LLP in accordance with the terms of the Mortgage Sale Agreement;

(ii) to take all steps necessary under the mortgage conditions and applicable law to notify Borrowers of each change in interest rates, whether due to a change in the standard variable rate (including any such change effected at the request of the LLP or the Seller or as a consequence of the mortgage conditions). The Administrator will also notify the LLP and the Seller of any change in the standard variable rate, and shall notify the Security Trustee if required to do so;

(iii) to maintain such records as are necessary to enforce each Mortgage Loan and its Related Security and to keep and maintain, on a loan by loan basis, records and accounts on behalf of the LLP in relation to the Mortgage Loans;

(iv) to keep or cause to be kept the Mortgage Loan Files and Title Deeds (if any) in safe custody and to the order of the LLP and in such a manner that they are readily identifiable and accessible;

(v) to provide the LLP, the Seller and the Security Trustee and their agents with access to the Title Deeds if any and Mortgage Loan Files at all reasonable times;

(vi) to take all reasonable steps to recover all sums due to the LLP, including without limitation instituting proceedings and enforcing any relevant Mortgage Loan, or any Related Security; and

(vii) not knowingly fail to comply with any legal requirements in the performance of its obligations under the Administration Agreement.

(c) ***Setting of Standard Variable Rate and other discretionary rates and margins***

The Administrator determines the standard variable rate applicable to Mortgage Loans from time to time. In the case of variable rate Mortgage Loans, except in certain limited circumstances, the Administrator will continue to determine the standard variable rate applicable to such Mortgage Loans on behalf of the LLP. The Administrator will take all necessary steps to notify Borrowers of any change in the interest rates applicable to the Mortgage Loans (whether or not due to a change in the standard variable rate).

Interest Shortfalls

On each Calculation Date the Administrator shall determine, having regard to:

(i) the income which the LLP would expect to receive during the succeeding LLP Payment Period (the "**Relevant LLP Payment Period**");

(ii) the LLP Standard Variable Rate, any other discretionary rates or margins applicable in relation to any Mortgage Loan which the Administrator proposes to set for the Calculation Period in which such Calculation Date falls (the "**Relevant Calculation Period**") under the Administration Agreement; and

(iii) the other resources available to the LLP including those under the Interest Rate Swap Agreements and the relevant Covered Bond Swap Agreements and the Reserve Fund,

whether the LLP would receive an amount of income during the Relevant LLP Payment Period which, when aggregated with the funds otherwise available to it, is less than the amount which is the aggregate of (1) the amount of interest which would be payable (or provisioned to be paid) under the Intercompany Loan Agreement or, if a Notice to Pay has been served, the Covered Bond Guarantee on the LLP Payment Date immediately following the Relevant LLP Payment Period and relevant amounts payable (or provisioned to be paid) to the Covered Bond Swap Providers under the Covered Bond Swap Agreements in respect of all Covered Bonds on the LLP Payment Date of each Series of Covered Bonds immediately following the Relevant LLP Payment Period and (2) the other senior expenses payable by the LLP ranking in priority thereto in accordance with the relevant Priorities of Payments applicable prior to an LLP Event of Default. Any shortfall shall be referred to herein as the "**Interest Shortfall**".

If the Administrator determines that there will be an Interest Shortfall, it will give written notice to the LLP, the Cash Manager and the Security Trustee, within one Business Day, of the amount of the Interest Shortfall.

If, following a notification pursuant to Clause 5.3(b) of the Administration Agreement, the Cash Manager (on behalf of the LLP) notifies the Administrator and the Seller that, having regard to the obligations of the LLP and the amount of the Interest Shortfall, further Mortgage Loans and their Related Security should be sold by the Seller to the LLP, the Seller will use all reasonable efforts to offer to sell New Mortgage Loans and their Related Security to the LLP pursuant to Clause 2 of the Mortgage Sale Agreement on or before the next Calculation Date which have a Standard Variable Rate and/or other discretionary rates or margins which would be sufficient such that there would not be an Interest Shortfall on future Calculation Dates.

Yield Shortfalls

Following an Issuer Event of Default that is continuing, the Administrator shall determine on each Calculation Date, having regard to the aggregate of:

(i) the LLP Standard Variable Rate and any other applicable discretionary rate or margin which the Administrator proposes to set for the Relevant Calculation Period under the Administration Agreement; and

(ii) the other resources available to the LLP under the Interest Rate Swap Agreements,

whether the LLP would receive an aggregate amount of interest on the Mortgage Loans and amounts under the Interest Rate Swap Agreements during the Relevant LLP Payment Period which would give an annual yield on the Mortgage Loans of at least 0.40 per cent. plus the SONIA Spot Rate published on the final London Banking Day in the previous Calculation Period (the "**Yield Shortfall Test**").

If the Administrator determines that the Yield Shortfall Test will not be met, it will within one Business Day of such determination give written notice to the LLP and the Security Trustee of the amount of the shortfall and the LLP Standard Variable Rate and/or any other discretionary rate or margin applicable in relation to any Mortgage Loan sold by the Seller to the LLP and in the Mortgage Portfolio which would (taking into account the applicable Mortgage Loan Conditions), in the Administrator's reasonable opinion, need to be set in order for no shortfall to arise, and the Yield Shortfall Test to be met, having regard to the date(s) (which shall be specified in the notice) on which such change to the LLP Standard Variable Rate and discretionary rate or margin applicable in relation to any other Mortgage Loan sold by the Seller to the LLP and in the Mortgage Portfolio would take effect and at all times acting in accordance with the standards of a reasonable, prudent mortgage lender as regards the competing interests of Borrowers with Standard Variable Rate Mortgage Loans and Borrowers with Mortgage Loans with any other discretionary rate or margin.

If the Cash Manager (on behalf of the LLP) notifies the Administrator that, having regard to the obligations of the LLP, the LLP Standard Variable Rate and/or any other discretionary rate or margin applicable in relation to any Mortgage Loans sold by the Seller to the LLP and in the Mortgage Portfolio should be increased, the Administrator shall take all steps which are necessary, including publishing any notice which is required in accordance with the Mortgage Loan Conditions, to effect such change in the LLP Standard Variable Rate and/or any other discretionary rate or margin on the date(s) specified in the notice referred to in Clause 5.4(b) of the Administration Agreement, but subject at all times to compliance with the relevant Mortgage Loan Conditions.

The LLP and/or the Security Trustee may terminate the authority of the Administrator to determine and set the Mortgage Rates payable on the occurrence of certain events including any Issuer Event of Default, any LLP Event of Default or any Administrator Termination Event as defined under "*Removal or Resignation of the Administrator*", in which case the LLP and the Security Trustee will agree to appoint the replacement administrator to set the LLP Standard Variable Rate and the other discretionary rates or margins itself in accordance with this sub-section.

(d) ***Redemption***

Pursuant to the Administration Agreement, the Administrator is responsible for handling the procedures connected with the redemption of Mortgage Loans and is authorised to release the relevant Title Deeds (if any) to the person or persons entitled thereto upon redemption. The Administrator is also responsible for submitting the EDS-1 to HM Land Registry in order to release any legal charge(s) held over the property in respect of an English Mortgage and for submitting a discharge to the Registers of Scotland in the case of a Scottish Mortgage.

(e) ***Fees***

As full compensation for its administration duties and activities and as reimbursement for any expense incurred by it in connection therewith, the Administrator or any substitute administrator is entitled to receive the fee from the LLP as set out in Administration Agreement.

(f) ***Removal or Resignation of the Administrator***

The appointment of the Administrator may be terminated by the LLP or the Security Trustee immediately upon written notice to the Administrator, on the occurrence of certain events (each an "**Administrator Termination Event**") and, each of the events listed at (i) to (iv) below, an ("**Administrator Event of Default**") including:

(i) the Administrator defaults in the payment on the due date of any payment due and payable by it under the Administration Agreement and such default continues unremedied for a period of five Business Days after the Administrator becomes aware of such default;

(ii) the Administrator defaults in the performance or observance of any of its other covenants, undertakings and material obligations under the Administration Agreement or any of the other Transaction Documents which in the opinion of the Security Trustee (acting on the directions of the Bond Trustee, so long as there are any Covered Bonds outstanding, or all of the other Secured Creditors if there are no Covered Bonds outstanding) is materially prejudicial to the interests of the Covered Bondholders and such default continues unremedied for a period of 20 Business Days after the Administrator becomes aware of such event provided however that where the relevant default occurs as a result of a default by any person to whom the Administrator has sub contracted or delegated part of its obligations under the Administration Agreement, such default shall not constitute an Administrator Termination Event if within such 20 Business Day period the Administrator terminates the relevant sub-contracting or delegation arrangements and indemnifies the LLP and the Security Trustee against the consequences of such default;

(iii) the Administrator fails to obtain or maintain the necessary licences or regulatory approval enabling it to continue administering Mortgage Loans;

(iv) the Administrator becomes subject to an Insolvency Event; or

(v) the LLP resolves that the appointment of the Administrator should be terminated.

Following the occurrence of an Administrator Termination Event, the Back-Up Administrator Facilitator shall use its best efforts to identify and thereafter appoint an alternative successor administrator on substantially the same terms as the Administration Agreement and at fees which are consistent with those payable generally at the relevant time for the provision of property loan administration services.

Subject to the fulfilment of certain conditions including, without limitation, that a substitute administrator has been appointed, the Administrator may voluntarily resign by giving not fewer than 12 months' notice of termination to the LLP and the Security Trustee.

Any such substitute administrator will be required to, if possible, have experience administering mortgage loans secured on residential mortgaged properties in England and Wales and Scotland and enter into an agreement on substantially the same terms as the Administration Agreement.

Forthwith upon termination of the appointment of the Administrator, the Administrator must deliver the Title Deeds, the Mortgage Loan Files and all books of account and other records maintained by the Administrator relating to the Mortgage Loans and/or the Related Security to, or at the direction of, the LLP and shall take such further action as the Security Trustee (acting on the directions of the Bond Trustee, so long as there are any Covered Bonds outstanding, or all of the other Secured Creditors if there are no Covered Bonds outstanding) shall reasonably direct to enable the services due to be performed by the Administrator under the Administration Agreement to be performed by the substitute administrator.

The Administration Agreement will terminate automatically when the LLP has no interest in any of the Mortgage Loans or their Related Security any longer.

(g) ***Delegation by the Administrator***

The Administrator may sub contract or delegate the performance of any of its obligations under the Administration Agreement to sub-contractors and delegates, provided that the Administrator shall act as a reasonable and prudent mortgage administrator in selecting any such delegate or sub-contractor and in agreeing the terms on which such delegation or sub-contracting takes place. Upon the appointment of

any such delegate or sub-contractor the Administrator will nevertheless remain responsible for the performance of those duties to the LLP and the Security Trustee.

(h) ***Back-Up Administration Agreement***

If the Administrator ceases to be assigned:

(i) in respect of Moody's, a counterparty risk assessment of Baa3(cr) or, if a counterparty risk assessment is not available, a long-term unsecured, unguaranteed and unsubordinated debt obligation rating of at least Baa3; or

(ii) in respect of Fitch, a long-term IDR of at least BBB-,

it will, with the Back-Up Administrator Facilitator, use reasonable efforts to enter into a back-up administration agreement, in form and substance acceptable to the parties to the Administration Agreement, with a suitably experienced third party acceptable to, and which shall be appointed by, the LLP within 60 days of the Administrator ceasing to be assigned such rating.

(i) ***Replacement of Collection Bank***

Under the Administration Agreement, the Administrator may replace the Collection Bank from time to time. If the Collection Bank is replaced, the Administrator shall procure that a replacement collection bank shall have a rating of at least the same or equivalent rating as the existing Collection Bank at the date of such replacement.

(j) ***Governing Law***

The Administration Agreement and any non-contractual obligation arising out of or in relation to the Administration Agreement are governed by English law.

5. Asset Monitor Agreement

(a) ***Summary***

Under the terms of the Asset Monitor Agreement, the Asset Monitor has agreed that, subject to receipt of the information to be provided to it by the Cash Manager, the Asset Monitor shall as soon as reasonably practicable (and in any event not later than ten Business Days following receipt of such information from the Cash Manager), test the arithmetic accuracy of the calculations performed by the Cash Manager on the Calculation Date immediately preceding each anniversary of the Initial Programme Date with a view to confirmation of compliance by the LLP with the Asset Coverage Test or the Amortisation Test, as applicable, on that Calculation Date.

If and for so long as:

(i) in respect of Moody's, the counterparty risk assessment of the Cash Manager or the counterparty risk assessment of the Issuer fall below Baa3(cr) (or, if a counterparty risk assessment is not available, the long-term unsecured, unguaranteed and unsubordinated debt obligation ratings of the Cash Manager or the long-term unsecured, unguaranteed and unsubordinated debt obligation ratings of the Issuer fall below Baa3); or

(ii) in respect of Fitch, the long-term IDR of the Cash Manager or the long-term IDR of the Issuer falls below BBB-; or

(iii) an Asset Coverage Test Breach Notice has been served on the Issuer and has not been revoked,

the Asset Monitor shall conduct the tests of the Cash Manager's calculations referred to above, as applicable, in respect of the Calculation Date, as soon as reasonably practicable (and in any event not later than ten Business Days following receipt of the relevant information from the Cash Manager). If the tests reveal arithmetic errors in the relevant calculations performed by the Cash Manager such that the reported Asset Coverage Test or Amortisation Test had been failed on the relevant Calculation Date (where the Cash Manager had recorded it as being satisfied) or the reported Adjusted Aggregate Loan Amount or the reported Amortisation Test Aggregate Loan Amount, as applicable, was mis-stated by the

Cash Manager by an amount exceeding one per cent. of the Adjusted Aggregate Loan Amount or the Amortisation Test Aggregate Loan Amount, as applicable (as at the date of the relevant Asset Coverage Test or the relevant Amortisation Test), the Asset Monitor shall conduct such tests of the Cash Manager's calculations in respect of every Calculation Date occurring during that six month period.

The Asset Monitor is entitled, in the absence of manifest error, to assume that all information provided to it by the Cash Manager for the purpose of reporting on the arithmetic accuracy is true and correct and is complete and not misleading and is not required to conduct an audit or other similar examination in respect of or otherwise take steps to verify the accuracy or completeness of such information. The Asset Monitor Report will be delivered to the Cash Manager, the LLP, the Issuer and the Security Trustee.

The LLP will pay to the Asset Monitor for its services a fee in an amount equal to £5,225 (excluding VAT) for each time that the Asset Monitor is required to perform the tests set out above.

The LLP may, at any time but only with the prior written consent of the Security Trustee, terminate the appointment of the Asset Monitor upon providing the Asset Monitor with 60 days' prior written notice, and the Asset Monitor may, at any time, resign from its appointment upon providing the LLP, the Issuer and the Security Trustee (copied by the LLP to each Rating Agency) 60 days' prior written notice. Any replacement asset monitor shall be approved in writing by the Security Trustee, unless the replacement is an accountancy firm of international standing.

If a substitute asset monitor is not appointed by the date which is 30 days prior to the date when tests are to be carried out in accordance with the terms of the Asset Monitor Agreement, then the LLP shall use all reasonable endeavours to appoint an accountancy firm of international standing approved by the Security Trustee to carry out the relevant tests on a one-off basis.

Neither the Bond Trustee nor the Security Trustee will be obliged to act as Asset Monitor in any circumstances.

(b) ***Governing law***

The Asset Monitor Agreement and any non-contractual obligations arising out of or in relation to the Asset Monitor Agreement are governed by English law.

6. LLP Deed

The Members of the LLP have agreed to operate the business of the LLP in accordance with the terms of the LLP Deed.

(a) ***Members***

As at the date of this Prospectus, each of Clydesdale Bank PLC and the Liquidation Member is a member (each a "**Member**", and together with any other members from time to time, the "**Members**") of the LLP. Clydesdale Bank PLC and the Liquidation Member are designated members (each a "**Designated Member**", and together with any other designated members from time to time, the "**Designated Members**") of the LLP. The Designated Members shall have such duties as are specified in the LLPA 2000 or otherwise at law and in the LLP Deed. The LLP Deed requires that there will at all times be at least two Designated Members of the LLP.

For so long as Covered Bonds are outstanding, if an administrator or a liquidator is appointed to Clydesdale Bank PLC, the Liquidation Member may, by written notice to the LLP, appoint another Member as a Designated Member or may, at its sole discretion (acting on behalf of itself and the other Members), admit a New Member to the LLP (in each case with the prior written consent of the Security Trustee).

No New Member may be otherwise appointed without the consent of the Security Trustee and the Ratings Condition being satisfied.

(b) ***Capital Contributions***

From time to time Clydesdale Bank PLC (in its capacity as a Member) will make Capital Contributions to the LLP. Capital Contributions may be made in cash or in kind (e.g. through a contribution of

Mortgage Loans to the LLP). The Capital Contribution Balance of Clydesdale Bank PLC (in its capacity as a Member) in respect of the immediately preceding Calculation Period shall be calculated in Sterling (and to the extent that any amount denominated in a currency other than Sterling, converted into Sterling at the relevant Covered Bond Swap Rate) on each Calculation Date as follows:

A – B – C + D + E + F

Where,

A = the Capital Contribution Balance of the Seller on the last day of the immediately preceding Calculation Period (or in the case of the first Calculation Date in relation to that Member, the Opening Capital Contribution Balance of that Member);

B = the amount of any Capital Distribution to be paid to the Seller on the next following LLP Payment Date;

C = the amount of any Losses on the Mortgage Loans in the immediately preceding Calculation Period that are attributable to Mortgage Loans sold in return for a Capital Contribution in Kind by the Seller to the LLP and which have not been or will not be repurchased by the Seller on or before the next following LLP Payment Date;

D = any increase in the Current Balance of Mortgage Loans in the immediately preceding Calculation Period due to Capitalised Interest accruing on that Mortgage Loan, where that Mortgage Loan was sold by the Seller to the LLP;

E = any increase in the Current Balance of Mortgage Loans in the immediately preceding Calculation Period due to the Seller making a Borrow-back to a Borrower, where that Mortgage Loan was sold by the Seller to the LLP; and

F = any Capital Contribution (other than those set out in items D and E above and any contributions constituting the payment of the Offset Benefit Contribution Amount) made by the Seller to the LLP in the immediately preceding Calculation Period.

If at any time, Clydesdale Bank PLC is acting as the Cash Manager and a Cash Manager Relevant Event occurs and is continuing the Seller will:

(i) within three Business Days after the occurrence of a Cash Manager Relevant Event notify the LLP, the Account Bank, the Issuer Account Bank and each Covered Bond Swap Provider, of such event;

(ii) within ten Business Days of the occurrence of a Cash Manager Relevant Event, make a Cash Capital Contribution to the LLP in an aggregate amount equal to:

(A) (in the case of each Term Advance where a Covered Bond Swap is not in place other than an Accumulation Series of Covered Bonds), the Required Coupon Amount payable on the immediately succeeding Loan Interest Payment Date for each such Term Advance; and/or

(B) (in the case of a Term Advance where a Covered Bond Swap is in place), the Required Coupon Amount payable on the immediately succeeding Party B payment date (as defined in each relevant Covered Bond Swap Agreement) (other than those amounts due in respect of an Interim Exchange Date or Final Exchange Date (each as defined in the relevant Covered Bond Swap Agreement)) relating to each Term Advance; and/or

(C) (in the case of a Term Advance relating to an Accumulation Series of Covered Bonds), the Required Coupon Amount payable on the immediately succeeding LLP Payment Date for each such Term Advance; and

(iii) thereafter, make a Cash Capital Contribution to the LLP not less than one Business Day after:

(A) each Loan Interest Payment Date, in an amount equal to the aggregate of the Required Coupon Amount due on the next following Loan Interest Payment Date in respect of each Term Advance without a Covered Bond Swap in place other than an Accumulation Series of Covered Bonds; and/or

(B) each Party B payment date, in an amount equal to the aggregate of the Required Coupon Amount due on that Party B payment date in respect of each Term Advance with a Covered Bond Swap in place; and/or

(C) each LLP Payment Date, in an amount equal to the aggregate of the Required Coupon Amount due on the next following LLP Payment Date in respect of each Term Advance relating to an Accumulation Series of Covered Bonds.

Any such Cash Capital Contribution will be treated as a revenue item but will not form part of Available Revenue Receipts.

Within one Business Day of receipt of such Cash Capital Contribution from the Seller, the LLP shall transfer to the Transaction Account an amount equal to the amount of the Cash Capital Contribution received by the LLP from the Seller in respect of items (ii) and (iii) above.

The Liquidation Member will not make any Capital Contributions to the LLP.

Capital Contributions or returns on Capital Contributions shall only be paid to Members after the LLP has paid or, as applicable, provided for all higher ranking amounts in the relevant Priorities of Payments.

(c) ***Asset Coverage Test***

Under the terms of the LLP Deed, the LLP and the Members (other than the Liquidation Member) must ensure that on each Calculation Date, the Adjusted Aggregate Loan Amount is in an amount at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as at the end of the immediately preceding Calculation Period as calculated on the relevant Calculation Date.

If on any Calculation Date, the Adjusted Aggregate Loan Amount is less than the Sterling Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds as at the end of the immediately preceding Calculation Period as calculated on the relevant Calculation Date, then the LLP (or the Cash Manager on its behalf) will notify the Members, the Bond Trustee and the Security Trustee thereof and the Members (other than the Liquidation Member) will use all reasonable endeavours to sell sufficient further Mortgage Loans and their Related Security to the LLP in accordance with the Mortgage Sale Agreement (see "*Summary of the Principal Documents – Mortgage Sale Agreement – Sale by the Seller of Mortgage Loans and Related Security*") or provide Cash Capital Contributions to ensure that the Asset Coverage Test is met on the next following Calculation Date. If the Adjusted Aggregate Loan Amount is less than the Sterling Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds on the next following Calculation Date, the Asset Coverage Test will be breached and the Bond Trustee will serve an Asset Coverage Test Breach Notice on the LLP and shall send notice of the same to the FCA pursuant to the RCB Regulations. The Bond Trustee shall revoke an Asset Coverage Test Breach Notice if, on any Calculation Date falling on or prior to the third Calculation Date following the service of an Asset Coverage Test Breach Notice, the Asset Coverage Test is subsequently satisfied and neither a Notice to Pay nor an LLP Acceleration Notice has been served.

Following service of an Asset Coverage Test Breach Notice (which has not been revoked):

(i) the LLP will be required to sell Selected Mortgage Loans (as described further under "*LLP Deed – Sale of Selected Mortgage Loans and their Related Security following service of an Asset Coverage Test Breach Notice*");

(ii) prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice or, if earlier, the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice, the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments will be modified as more particularly described in "*Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of an Asset Coverage Test Breach Notice*" below; and

(iii) the Issuer will not be permitted to make to the LLP and the LLP will not be permitted to borrow from the Issuer any new Term Advances under the Intercompany Loan Agreement.

If an Asset Coverage Test Breach Notice has been served and not revoked on or before the third Calculation Date after service of such Asset Coverage Test Breach Notice, then an Issuer Event of Default shall occur and the Bond Trustee shall be entitled (and, in certain circumstances may be required) to serve an Issuer Acceleration Notice. On the occurrence of an Issuer Event of Default, the Bond Trustee shall give notice of the same to the FCA pursuant to the RCB Regulations. Following service of an Issuer Acceleration Notice, the Bond Trustee will be required to serve a Notice to Pay on the LLP.

For the purposes hereof:

"**Adjusted Aggregate Loan Amount**" means the amount calculated on each Calculation Date as follows:

$$A+B+C+D+E - (V+W+X+Y+Z)$$

where,

A = the lower of (a) and (b), less the amount in (c) below, where:

(a) = the sum of the "**Adjusted Current Balance**" of each Mortgage Loan in the Mortgage Portfolio, which shall be the lower of:

(i) the actual Current Balance of the relevant Mortgage Loan in the Mortgage Portfolio as calculated on the last day of the immediately preceding Calculation Period; and

(ii) the latest Indexed Valuation determined on or before the last day of the immediately preceding Calculation Period relating to that Mortgage Loan multiplied by M, where for all Mortgage Loans that are less than three months in arrears or not in arrears, M = the lower of (1) 0.75 and (2) the maximum LTV amount applicable to residential mortgage loans specified in the RCB Regulations and (3) the maximum LTV amount applicable to residential mortgage loans specified in CRD IV (the "**Maximum LTV Amount**"), for all Mortgage Loans that are three months or more in arrears and have a Current Balance to Indexed Valuation ratio of less than or equal to Maximum LTV Amount, M = 0.40 and for all Mortgage Loans that are three months or more in arrears and have a Current Balance to Indexed Valuation ratio of more than the Maximum LTV Amount, M = 0.25; and

(b) = the aggregate "**Arrears Adjusted Current Balance**" of the Mortgage Loans in the Mortgage Portfolio which, in relation to each Mortgage Loan, shall be the lower of:

(i) the actual Current Balance of the relevant Mortgage Loan as calculated on the last day of the immediately preceding Calculation Period; and

(ii) the latest Indexed Valuation determined on or before the last day of the immediately preceding Calculation Period relating to that Mortgage Loan multiplied by N, where for all Mortgage Loans that are less than three months in arrears or not in arrears, N = 1; for all Mortgage Loans that are three months or more in arrears and have a Current Balance to Indexed Valuation ratio of less than or equal to the Maximum LTV Amount, N = 0.40 and for all Mortgage Loans that are three months or more in arrears and have a Current Balance to Indexed Valuation ratio of more than the Maximum LTV Amount, N = 0.25;

the result of the calculation in this paragraph (b) above being multiplied by the Asset Percentage (as defined below); and

(c) = the aggregate sum of the following deemed reductions to the Adjusted Current Balance or, as applicable, the Arrears Adjusted Current Balance, if any of the following occurred during the previous Calculation Period:

(i) a Mortgage Loan or its Related Security was, in the immediately preceding Calculation Period, in breach of the Loan Warranties contained in the Mortgage Sale Agreement or subject to any other obligation of the Seller to repurchase the relevant Mortgage Loan and its Related Security, and in each case the Seller has not repurchased the Mortgage Loan or Mortgage Loans of the relevant Borrower and its or their Related Security to the extent required by the terms of the Mortgage Sale Agreement. In this event, the aggregate Adjusted Current Balance of the Mortgage Loans in the Mortgage Portfolio (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the Adjusted Current Balance of the relevant Mortgage Loan or Mortgage Loans (as calculated on the last day of the immediately preceding Calculation Period) of the relevant Borrower; and/or

(ii) the Seller, in any preceding Calculation Period, was in breach of any other material warranty under the Mortgage Sale Agreement and/or the Administrator was, in any preceding Calculation Period, in breach of a material term of the Administration Agreement. In this event, the aggregate Adjusted Current Balance of the Mortgage Loans in the Mortgage Portfolio (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the resulting financial loss incurred by the LLP in the immediately preceding Calculation Period (such financial loss to be calculated by the Cash Manager without double counting and to be reduced by any amount paid (in cash or in kind) to the LLP by the Seller to indemnify the LLP for such financial loss);

B = the aggregate amount of any Principal Receipts on the Mortgage Loans in the Mortgage Portfolio up to the end of the immediately preceding Calculation Period (as recorded in the Principal Ledger) which have not been applied as at the end of the immediately preceding Calculation Period to acquire further Mortgage Loans and their Related Security or otherwise applied in accordance with the LLP Deed and/or the other Transaction Documents;

C = the aggregate amount of any Cash Capital Contributions made by the Members (as recorded in the Capital Account Ledger of each Member) or proceeds of Term Advances which have not been applied as at the relevant Calculation Date to acquire further Mortgage Loans and their Related Security or otherwise applied in accordance with the LLP Deed and/or the other Transaction Documents;

D = the aggregate outstanding principal balance of any Substitution Assets as at the end of the immediately preceding Calculation Period (to the extent not falling within (B) above);

E = the aggregate sum of (i) any Sale Proceeds and (ii) Capital Contributions (to the extent not falling within (C) above) otherwise standing to the credit of the LLP Accounts as at the end of the immediately preceding Calculation Period (without double counting);

V = the sum of the aggregate cleared credit balance of all applicable accounts linked to any Offset Mortgage Loans in the Mortgage Portfolio in respect of the relevant Calculation Period or part of any such Calculation Period;

W = (a) if the ratings of the Issuer Account Bank are at least equal to the Account Bank Remedial Ratings, zero; or

(b) if the ratings of the Issuer Account Bank are less than the Account Bank Remedial Ratings, the lower of: (i) all cash standing to the credit of the Issuer Account as at the end of the immediately preceding Calculation Period and (ii) the sum of items B+C+E above;

X = the product of (i) and (ii), where (i) is 24 per cent. and (ii) is the "flexible Cash Borrow-back capacity", being an amount equal to the difference between (1) the maximum

amount of Cash Borrow-backs that Borrowers may make under Mortgage Loans included in the Asset Pool (whether or not drawn) as at the end of the immediately preceding Calculation Period and (2) the aggregate current balance of all drawn Cash Borrow-backs on Mortgage Loans included in the Asset Pool as at the end of the immediately preceding Calculation Period;

Y = either:

(a) zero, for so long as the Issuer's credit rating from each Rating Agency is at least A (long term) or F1 (short term) by Fitch or A2 (long term) or P-1 (short term) by Moody's; or

(b) the sum of the Deposit Set-off Balance for each Mortgage Loan, where the "**Deposit Set-off Balance**" is calculated on each Calculation Date by reference to the relevant balances as at the end of the preceding Calculation Period and equals,

(i) in respect of each Mortgage Loan where the aggregate amount of the relevant Borrower's deposit account balances exceeds the FSCS Limit but the Current Balance of the relevant Mortgage Loan does not exceed the FSCS Limit, the lower of (1) the Current Balance of the relevant Mortgage Loan and (2) the aggregate amount of deposit account balances of the relevant Borrower minus the FSCS Limit, each as calculated on the relevant Calculation Date as at the end of the immediately preceding Calculation Period; or

(ii) in respect of each Mortgage Loan where the aggregate amount of the relevant Borrower's deposit account balances exceeds the FSCS Limit and the Current Balance of the relevant Mortgage Loan also exceeds the FSCS Limit, the lower of (1) the Current Balance of the relevant Mortgage Loan and (2) the aggregate amount of deposit account balances as at the end of the immediately preceding Calculation Period, each as calculated on the relevant Calculation Date, or

(c) such other percentage amount as may be notified by the Issuer to the LLP, the Security Trustee and the Rating Agencies from time to time subject to receipt of a Ratings Confirmation multiplied by the relevant balances as at the end of the immediately preceding Calculation Period;

"**FSCS Limit**" means the current applicable limit established by the Financial Services Compensation Scheme; and

Z =

(a) zero, for so long as the Issuer's credit rating from each Rating Agency is at least A (long term) or F1 (short term) by Fitch or A2 (long term) or P-1 (short term) by Moody's; or

(b) otherwise the weighted average remaining maturity (expressed in years) of all Covered Bonds outstanding multiplied by the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as at the end of the immediately preceding Calculation Period multiplied by the Negative Carry Factor, provided that if the weighted average remaining maturity is less than one, the weighted average shall be deemed, for the purposes of this calculation, to be one.

The "**Negative Carry Factor**" is 0.50 per cent. (or such other percentage as may be specified by the Issuer or the LLP from time to time subject to the Ratings Condition being satisfied).

Save where otherwise agreed with each Rating Agency, the "**Asset Percentage**" on any Calculation Date shall be the lowest of:

(i) save where paragraph (ii) or (iii) below applies, 92.5 per cent.; or

(ii) save where paragraph (iii) below applies, the percentage figure as selected at the option of the LLP (or the Cash Manager acting on its behalf) from time to time that is necessary to ensure the Covered Bonds maintain the then current rating assigned to them by Fitch; and

(iii) the percentage figure as selected at the option of the LLP (or the Cash Manager on its behalf) from time to time and notified to Moody's and the Security Trustee on such Calculation Date or, where the LLP (or the Cash Manager acting on its behalf) has not notified Moody's and the Security Trustee of the minimum percentage figure on the relevant Calculation Date, on the last date of such notification), being the difference between 100 per cent. and the amount of credit enhancement required to support the then current ratings of the Covered Bonds under Moody's expected loss methodology, provided that in the event that any of the Covered Bonds are not then currently rated Aaa for as long as any Covered Bonds remain outstanding whose ratings have been downgraded at any point since their relevant original Issue Date and until they have been subsequently upgraded to at least the rating as at their original Issue Date, the Asset Percentage may not be greater than the higher of (a) the Asset Percentage specified in the most recently delivered Asset Percentage notification form prior to the first such downgrade, or (b) the lowest value for (X) in respect of each downgrade where (X) in respect of each downgrade is equal to the respective Attributed Moody's Asset Percentage specified in the relevant Investor Reports most recently delivered prior to such downgrade,

where "**Attributed Moody's Asset Percentage**" means the percentage figure as set out in each Investor Report which notwithstanding the percentage figure that may be selected by the LLP or the Cash Manager on its behalf from time to time and notified to the Security Trustee and Moody's, is the percentage as at each Calculation Date, being the difference between 100 per cent. and the amount of credit enhancement required to support the then current ratings of the Covered Bonds under Moody's expected loss methodology.

Save where otherwise agreed with each Rating Agency, the Asset Percentage will be adjusted in accordance with various Rating Agency methodologies to ensure that sufficient credit enhancement will be maintained. Notwithstanding the above, the Asset Percentage may not, at any time, exceed 92.5 per cent. unless otherwise agreed with each Rating Agency.

In addition, the LLP or the Cash Manager acting on its behalf may, from time to time, send notification to Moody's and the Security Trustee of the percentage figure selected by it.

(d) ***Amortisation Test***

For so long as the Covered Bonds remain outstanding, the LLP and the Members (other than the Liquidation Member) shall procure that on each Calculation Date following service of a Notice to Pay on the LLP (but prior to service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security) the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as at the end of the immediately preceding Calculation Period as calculated on the relevant Calculation Date.

Following service of Notice to Pay on the LLP, if on any Calculation Date the Amortisation Test Aggregate Loan Amount is less than the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as at the end of the immediately preceding Calculation Period as calculated on the relevant Calculation Date, then the Amortisation Test will be deemed to be breached and an LLP Event of Default will occur. The LLP (or the Cash Manager on its behalf), will immediately notify the Members, the Security Trustee and (whilst Covered Bonds are outstanding) the Bond Trustee of any breach of the Amortisation Test and the Bond Trustee shall be entitled to serve an LLP Acceleration Notice in accordance with the Conditions.

The "**Amortisation Test Aggregate Loan Amount**" will be calculated on each Calculation Date as follows:

$$A + B + C - Z$$

where,

A = the aggregate amortisation test current balance of each Mortgage Loan, which shall be the lower of (1) the actual Current Balance of the relevant Mortgage Loan as calculated on the last day of the immediately preceding Calculation Period multiplied by M and (2) 100 per cent. of the Indexed Valuation multiplied by M.

Where for all the Mortgage Loans that are less than three months in arrears or not in arrears M = 1 or for all the Mortgage Loans that are three months or more in arrears M = 0.7;

B = the aggregate amount of any Principal Receipts on the Mortgage Loans in the Mortgage Portfolio up to the end of the immediately preceding Calculation Period (as recorded in the Principal Ledger) which have not been applied as at the end of the immediately preceding Calculation Period to acquire further Mortgage Loans and their Related Security or otherwise applied in accordance with the LLP Deed and/or the other Transaction Documents plus amounts standing to the credit of the Reserve Ledger as at the end of the immediately preceding Calculation Period;

C = the aggregate outstanding principal balance of any Substitution Assets as at the end of the immediately preceding Calculation Period (to the extent not falling within (B) above); and

Z = the weighted average remaining maturity of all Covered Bonds then outstanding ***multiplied by*** the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds (both as at the end of the immediately preceding Calculation Period) ***multiplied by*** the Negative Carry Factor.

(e) ***Offset Mortgage Loans***

If the Current Balance of any Offset Mortgage Loan in the Mortgage Portfolio is reduced by the application of the amount of any Offset Benefit to such Offset Mortgage Loan, then pursuant to the terms of the LLP Deed, the Seller will agree to make a contribution to the LLP on each Calculation Date of an amount equal to the Offset Benefit Contribution Amount as calculated on such date. The Capital Contribution Balance will not increase by the amount of the Offset Benefit Contribution Amount.

In respect of any Offset Mortgage Loans in the Mortgage Portfolio, on each Calculation Date, the Seller shall make payment of a contribution to the LLP in an amount equal to the Offset Benefit Contribution Amount as calculated on such Calculation Date. The "**Offset Benefit Contribution Amount**" will be determined on each Calculation Date (referred to as the "**Relevant Calculation Date**") and calculated in accordance with the following formula:

$$A - B$$

where:

A = the aggregate amount of the Offset Benefit applied during the Calculation Period immediately preceding the relevant Calculation Date in reduction of the Current Balance of the Offset Mortgage Loans in the Mortgage Portfolio; and

B = the amount (if any) standing to the credit of the Offset Benefit Reserve Ledger on the Relevant Calculation Date (not including any Offset Benefit Contribution Amount paid by the Seller on such date).

The Offset Benefit Contribution Amount paid by the Seller to the LLP will be credited to the Offset Benefit Reserve Ledger.

In determining the Available Revenue Receipts on a Calculation Date, the Cash Manager will include an amount equal to the lesser of (a) the amount calculated in accordance with item "A" above for the relevant

Calculation Date, and (b) the aggregate amount (if any) standing to the credit of the Offset Benefit Reserve Ledger on the relevant Calculation Date (including any Offset Benefit Contribution Amount paid by the Seller on such date).

(f) ***Sale of Selected Mortgage Loans and their Related Security following service of an Asset Coverage Test Breach Notice***

After an Asset Coverage Test Breach Notice has been served on the LLP (which has not been revoked) but prior to service of a Notice to Pay and/or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or the realisation of the Security, the LLP will be obliged to sell Selected Mortgage Loans and their Related Security in the Mortgage Portfolio in accordance with the LLP Deed (as described below), subject to the rights of pre-emption enjoyed by the Seller to buy the Selected Mortgage Loans and their Related Security pursuant to the Mortgage Sale Agreement and subject to any Cash Capital Contribution made by the Members. The proceeds from any such sale or refinancing will be credited to the Transaction Account and applied as set out in the Pre-Acceleration Revenue Priority of Payment and the Pre-Acceleration Principal Priority of Payment, subject to certain provisos described in the section entitled "*Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of an Asset Coverage Test Breach Notice*" below.

(g) ***Sale of Selected Mortgage Loans and their Related Security following service of a Notice to Pay***

After a Notice to Pay has been served on the LLP but prior to the service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or the realisation of the Security, the LLP will be obliged to sell Selected Mortgage Loans and their Related Security in the Mortgage Portfolio in accordance with the LLP Deed (as described below), subject to the rights of pre-emption enjoyed by the Seller to buy the Selected Mortgage Loans and their Related Security pursuant to the Mortgage Sale Agreement. The proceeds from any such sale or refinancing will be credited to the Transaction Account and applied as set out in the Guarantee Priority of Payments.

(h) ***Method of sale of Selected Mortgage Loans***

If the LLP is required to sell Selected Mortgage Loans and their Related Security to Purchasers following either the service of an Asset Coverage Test Breach Notice which has not been revoked or a Notice to Pay, the LLP will be required to ensure that before offering Selected Mortgage Loans and their Related Security for sale:

(i) the Selected Mortgage Loans have been selected from the Mortgage Portfolio on a random basis if only part of the Mortgage Portfolio is sold as described in the LLP Deed; and

(ii) the Selected Mortgage Loans have an aggregate Current Balance in an amount (the "**Required Current Balance Amount**") which is as close as possible to the amount calculated as follows:

(A) following the service of an Asset Coverage Test Breach Notice (but prior to service of a Notice to Pay), such amount that would ensure that, if the Selected Mortgage Loans were sold at their Current Balance plus arrears of interest and accrued interest thereon, the Asset Coverage Test would be satisfied on the next Calculation Date taking into account the payment obligations of the LLP on the LLP Payment Date following that Calculation Date (assuming for this purpose that the Asset Coverage Test Breach Notice is not revoked on the next Calculation Date); or

(B) following service of a Notice to Pay:

$$N \times \frac{\text{Current Balance of all the Mortgage Loans in the Mortgage Portfolio}}{\text{the Sterling Equivalent of the Adjusted Required Redemption Amount in respect of each Series of Covered Bonds then outstanding}}$$

where "N" is an amount equal to the Sterling Equivalent of the Adjusted Required Redemption Amount in respect of the Earliest Maturing Covered Bond then outstanding.

The LLP will offer the Selected Mortgage Loans and their Related Security for sale to Purchasers for the best price reasonably available but in any event:

(i) following the service of an Asset Coverage Test Breach Notice (but prior to the service of a Notice to Pay), for an amount not less than the Current Balance of the Selected Mortgage Loans plus arrears of interest and accrued interest thereon; and

(ii) following service of a Notice to Pay, for an amount not less than the Adjusted Required Redemption Amount.

Following the service of a Notice to Pay, if the Selected Mortgage Loans and their Related Security have not been sold (in whole or in part) in an amount equal to the Adjusted Required Redemption Amount by the date which is six months prior to, as applicable, (a) the Final Maturity Date (where the Covered Bonds are not subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee) or (b) the Extended Due for Payment Date in respect of the Earliest Maturing Covered Bonds (after taking into account all payments, provisions and credits to be made in priority thereto) (where the Covered Bonds are subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee), then the LLP will offer the Selected Mortgage Loans for sale for the best price reasonably available notwithstanding that such amount may be less than the Adjusted Required Redemption Amount.

Following the service of a Notice to Pay, in addition to offering Selected Mortgage Loans for sale to Purchasers in respect of the Earliest Maturing Covered Bonds, the LLP (subject to the rights of pre-emption enjoyed by the Seller pursuant to the Mortgage Sale Agreement) is permitted to offer for sale a portfolio of Selected Mortgage Loans, in accordance with the provisions summarised above, in respect of other Series of Covered Bonds.

The LLP is also permitted to offer for sale to Purchasers a Partial Mortgage Portfolio. Except in circumstances where the portfolio of Selected Mortgage Loans is being sold within six months of the Final Maturity Date or, if the Covered Bonds are subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee, the Extended Due for Payment Date in respect of the Series of Covered Bonds to be repaid from such proceeds, the sale price of the Partial Mortgage Portfolio (as a proportion of the Adjusted Required Redemption Amount) shall be at least equal to the proportion that the Partial Mortgage Portfolio bears to the relevant portfolio of Selected Mortgage Loans.

The LLP will through a tender process appoint a portfolio manager of recognised standing on a basis intended to incentivise the portfolio manager to achieve the best price for the sale of the Selected Mortgage Loans (if such terms are commercially available in the market) to advise it in relation to the sale of the Selected Mortgage Loans to Purchasers (except where the Seller is buying the Selected Mortgage Loans in accordance with its right of pre-emption in the Mortgage Sale Agreement). The terms of the agreement giving effect to the appointment in accordance with such tender shall be approved by the Security Trustee.

In respect of any sale or refinancing of Selected Mortgage Loans and their Related Security following service of an Asset Coverage Test Breach Notice which has not been revoked or a Notice to Pay, the LLP will instruct the portfolio manager to use all reasonable endeavours to procure that Selected Mortgage Loans are sold as quickly as reasonably practicable (in accordance with the recommendations of the portfolio manager, taking into account the market conditions at that time and the scheduled repayment dates of the Covered Bonds and the terms of the LLP Deed.

The terms of any sale and purchase agreement with respect to the sale of Selected Mortgage Loans (which shall give effect to the recommendations of the portfolio manager) will be subject to the prior written approval of the Security Trustee. The Security Trustee will not be required to release the Selected Mortgage Loans from the Security unless the conditions relating to the release of the Security (as described under – "*Deed of Charge – Release of Security*", below) are satisfied.

Following the service of a Notice to Pay, if Purchasers accept the offer or offers from the LLP so that some or all of the Selected Mortgage Loans and their Related Security shall be sold prior to the next following Final Maturity Date or, if the Covered Bonds are subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee, the next following Extended Due for Payment Date in respect of the Earliest Maturing Covered Bonds, then the LLP will, subject to the foregoing paragraph, enter into a sale and purchase agreement with the relevant Purchasers which will require *inter alia* a cash payment from the relevant Purchasers. Any such sale will not include any Loan Warranties from the LLP or the Seller in respect of the Mortgage Loans and the Related Security unless expressly agreed by the Security Trustee or otherwise agreed with the Seller.

(i) ***Covenants of the LLP and the Members***

Each of the Members covenants that, subject to the terms of the Transaction Documents, it will not sell, transfer, convey, create or permit to arise any security interest on, declare a trust over, create any beneficial interest in or otherwise dispose of its interest in the LLP without the prior written consent of the LLP and, whilst the Covered Bonds are outstanding, the Security Trustee. Whilst any amounts are outstanding in respect of the Covered Bonds, each of the Members undertakes not to terminate or purport to terminate the LLP Deed or institute any winding-up, administration, insolvency or similar proceedings against the LLP.

The LLP covenants that it will not, save with the prior written consent of the Management Committee (and, for so long as any Covered Bonds are outstanding, with the prior written consent of the Security Trustee) or as envisaged by the Transaction Documents to which the LLP is a party:

(i) create or permit to subsist any mortgage, standard security, assignation, pledge, lien, charge or other security interest whatsoever (unless arising by operation of law), upon the whole or any part of its assets (including any uncalled capital) or its undertakings, present or future other than as created or permitted in the Deed of Charge;

(ii) transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertakings or any interest, estate, right, title or benefit therein or thereto or agree or attempt or purport to do so;

(iii) have an interest in any bank account, other than as set out in the Transaction Documents;

(iv) incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any such indebtedness;

(v) consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;

(vi) have any employees or premises or subsidiaries;

(vii) acquire any assets other than pursuant to the terms of the Mortgage Sale Agreement, the Cash Management Agreement and the LLP Deed;

(viii) enter into any contracts, agreements or other undertakings;

(ix) compromise, compound or release any debt due to it;

(x) commence, defend, settle or compromise any litigation or other claims relating to it or any of its assets;

(xi) establish any "establishment" as that term is used in Article 2(10) of Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings (the "**EU Insolvency Regulation**");

(xii) engage in any activities in the United States (directly or through agents) or derive any income from United States sources as determined under United States income tax principles or hold any property if doing so would cause it to be engaged or deemed to be engaged in a trade or business within the United States as determined under United States tax principles; and

(xiii) be a member of any VAT Group.

The LLP further covenants that it will:

(1) ensure that the Asset Pool will only comprise those assets set out in items (a) to (h) of Regulation 3(1) (*Asset Pool*) of the RCB Regulations;

(2) ensure that the Mortgage Loans and the Related Security, the Substitution Assets and the Authorised Investments contained in the Asset Pool comply with the definition of "eligible property" in Regulation 2 (*Eligible Property*) of the RCB Regulations;

(3) furnish the FCA with any and all documents, instruments and information that may be necessary in order to maintain registration of the Issuer and the Programme and any Covered Bonds issued thereunder under the RCB Regulations;

(4) comply with all of its obligations under the RCB Regulations and the RCB Sourcebook at such time and in such manner as required by the RCB Regulations and the RCB Sourcebook (including, but not limited to, its obligations to provide notifications to the FCA in certain circumstances) and following insolvency of the Issuer its obligations in respect of annual confirmations pursuant to RCB 3.2.10D of the RCB Sourcebook and asset pool notifications pursuant to RCB 3.3.1D and 3.3.3D of the RCB Sourcebook;

(5) keep a record of those assets that form part of the Asset Pool which, for the avoidance of doubt, shall not include any Swap Collateral;

(6) following any insolvency of the Issuer, notify the FCA if at any time the requirements set out in Regulation 24(1)(a)(ii) or Regulation 24(1)(a)(iii) of the RCB Regulations are not, or are not likely to be, satisfied; and

(7) at any time when the LLP proposes to transfer ownership of the Asset Pool, comply with its obligations under Regulation 25 (Change of Owner) of the RCB Regulations and RCB 3.5 of the RCB Sourcebook. In particular, it shall make arrangements to give the FCA notice of the proposed change of ownership and such information in respect of the proposed new owner as the FCA may direct.

(j) ***Limit on Investing in Substitution Assets***

Prior to the service of an Asset Coverage Test Breach Notice which has not been revoked or a Notice to Pay on the LLP, the LLP will be permitted to invest Available Revenue Receipts, Available Principal Receipts and the proceeds of Term Advances standing to the credit of the LLP Accounts in Substitution Assets, provided that the aggregate amount so invested in Substitution Assets does not exceed the higher of (i) 10 per cent. of the total assets of the LLP at any one time and (ii) the maximum amount of Substitution Assets that may constitute part of the Mortgage Portfolio pursuant to the terms of the RCB Regulations or, if higher CRD IV, and provided that such investments are made in accordance with the terms of the Cash Management Agreement. Depositing such amounts in any LLP Account will not constitute an investment in Substitution Assets for these purposes.

Following service of an Asset Coverage Test Breach Notice which has not been revoked or a Notice to Pay on the LLP, all Substitution Assets must be sold by the LLP (or the Cash Manager on its behalf) as quickly as reasonably practicable and the proceeds credited to the Transaction Account and the LLP will be permitted to invest all available monies in Authorised Investments, provided that such investments are made in accordance with the terms of the Cash Management Agreement.

There is no limit on the amounts that the LLP shall be entitled to invest in Authorised Investments.

(k) ***Other Provisions***

The allocation and distribution of Revenue Receipts, Principal Receipts and all other amounts received by the LLP is described under "*Cashflows*" below.

The Management Committee, comprising as at the date of this Prospectus directors, officers and/or employees of Clydesdale Bank PLC and the Liquidation Member, will act on behalf of the LLP to which (other than any decision to approve the audited accounts of the LLP or to make a resolution for the voluntary winding-up of the LLP, which require a unanimous decision of the Members) the Members delegate all matters. Any decision by the Management Committee relating to the admission of a New Member, any change in the LLP's business, any change to the LLP's name and any amendment to the LLP Deed, will be made, whilst any Covered Bonds are outstanding, with the consent of the Security Trustee.

For so long as any Covered Bonds are outstanding, each Member has agreed that it will not terminate or purport to terminate the LLP or institute any winding-up, administration, insolvency or other similar proceedings against the LLP. Furthermore, the Members have agreed *inter alia* not to demand or receive payment of any amounts payable by the LLP (or the Cash Manager on its behalf) or the Security Trustee

unless all amounts then due and payable by the LLP to all other creditors ranking higher in the relevant Priorities of Payments have been paid in full.

Each Member will be responsible for the payment of its own tax liabilities and will be required to indemnify the LLP and the other Members from any liabilities which they incur as a result of the relevant Member's non-payment.

Following the appointment of a liquidator to any Member (other than the Liquidation Member), any decisions of the LLP that are reserved to the Members in the LLP Deed shall be made by the Liquidation Member only.

(l) ***Governing law***

The LLP Deed and any non-contractual obligations arising out of or in relation to the LLP Deed are governed by English law.

7. Cash Management Agreement

The Cash Manager will provide certain cash management services to the LLP pursuant to the terms of the Cash Management Agreement.

The Cash Manager's services include but are not limited to:

(i) maintaining the Ledgers on behalf of the LLP;

(ii) maintaining records of all Authorised Investments and/or Substitution Assets, as applicable;

(iii) distributing the Revenue Receipts and the Principal Receipts in accordance with the Priorities of Payment described under *Cashflows*, below;

(iv) determining whether the Asset Coverage Test is satisfied on each Calculation Date in accordance with the LLP Deed, as more fully described under "*Credit Structure – Asset Coverage Test*", below;

(v) determining whether the Amortisation Test is satisfied on each Calculation Date following an Issuer Event of Default in accordance with the LLP Deed, as more fully described under "*Credit Structure – Amortisation Test*", below;

(vi) providing the FCA with information on the composition of any Substitution Assets and/or Authorised Investments comprised in the assets of the LLP and/or such other information as may be required by the FCA in accordance with the RCB Regulations;

(vii) preparation of Investor Reports for the Covered Bondholders, each Rating Agency and the Bond Trustee; and

(viii) making the necessary notifications and procuring the necessary payments with respect to any Cash Capital Contributions which are to be credited to the Coupon Payment Ledger.

In relation to each Series of Covered Bonds that (a) does not have monthly Interest Payment Dates and (b) does not have a Covered Bond Swap in place, the Cash Manager shall maintain the Interest Accumulation Ledger, to which the LLP Monthly Interest Amount will be credited on each LLP Payment Date. Amounts standing to the credit of the Interest Accumulation Ledger which have accumulated in respect of a Series of Covered Bonds will be applied (i) prior to the service of a Notice to Pay, on the immediately following Loan Interest Payment Date or where the Loan Interest Payment Date is also an LLP Payment Date, on such LLP Payment Date in making interest payments, in accordance with the terms of the Intercompany Loan Agreement and the Cash Management Agreement or (ii) following the service of a Notice to Pay, on the immediately following Interest Payment Date, or where the Interest Payment Date is also an LLP Payment Date on that Interest Payment Date (together with any applicable Available Revenue Receipts) in making payments in respect of interest due on the Covered Bonds.

In certain circumstances the LLP and the Security Trustee will each have the right to terminate the appointment of the Cash Manager in which event the LLP will appoint a substitute (the identity of which

will be subject to the Security Trustee's written approval). Any substitute cash manager will have substantially the same rights and obligations as the Cash Manager (although the fee payable to the substitute cash manager may be higher).

If the Cash Manager ceases to be assigned:

(i) in respect of Moody's, a counterparty risk assessment of Baa3(cr) or, if a counterparty risk assessment is not available, a long-term unsecured, unguaranteed and unsubordinated debt obligation rating of at least Baa3; or

(ii) in respect of Fitch, a long-term IDR of at least BBB-,

it will, use reasonable efforts to enter into a back-up cash management agreement, in form and substance acceptable to the parties to the Cash Management Agreement, with a suitably experienced third party acceptable to, and which shall be appointed by, the LLP within 60 days of the Cash Manager ceasing to be assigned such rating.

(b) ***Governing law***

The Cash Management Agreement and any non-contractual obligations arising out of or in relation to the Cash Management Agreement are governed by English law.

8. Interest Rate Swap Agreements

Sterling payments to be made by the LLP under the Covered Bond Swaps or under the Intercompany Loan Agreement (prior to the service of a Notice to Pay on the LLP) and under the Covered Bond Guarantee in respect of Covered Bonds (after the service of a Notice to Pay on the LLP) for which there are no Covered Bond Swaps are based on a compounded daily SONIA rate. Some of the Mortgage Loans in the Mortgage Portfolio pay a variable rate of interest for a period of time that may be linked either to the Seller's Standard Variable Rate or linked to an interest rate other than the Seller's Standard Variable Rate, such as a rate that tracks the BoE base rate. Other Mortgage Loans pay a fixed rate of interest for a period of time. To provide a hedge against some or all of the possible variance between:

(i) the rates of interest payable on some or all of the Mortgage Loans in the Mortgage Portfolio; and

(ii) a compounded daily SONIA rate,

the LLP may enter into one or more Interest Rate Swaps with one or more Interest Rate Swap Providers from time to time, which may cover some or all of the rates of interest payable on the Mortgage Loans in the Mortgage Portfolio.

The LLP and Clydesdale Bank PLC (in its capacity as an Interest Rate Swap Provider) have entered into Interest Rate Swap Agreements (originally dated the Initial Programme Date) and entered into Interest Rate Swaps which have notional amounts which cover the (i) fixed rate assets, (ii) SVR linked assets, and (iii) BoE base rate linked assets. The Interest Rate Swap Agreements were updated on 5 March 2019 in connection with the transition of certain of the swap arrangements from a LIBOR basis to a SONIA basis.

On each LLP Payment Date (subject to the amounts being paid net of one another), the LLP will pay an amount equal to the product of:

(i) the balance of the Performing Mortgage Loans in the Mortgage Portfolio which are hedged by an Interest Rate Swap for the related Calculation Period; and

(ii) the weighted average interest rate in respect of the Performing Mortgage Loans which are hedged by an Interest Rate Swap for the related Calculation Period,

and the relevant Interest Rate Swap Provider will pay an amount equal to the product of:

(i) the balance of the Performing Mortgage Loans in the Mortgage Portfolio which are hedged by an Interest Rate Swap for the related Calculation Period; and

(ii) GBP-SONIA-COMPOUND (as defined in the relevant Interest Rate Swap Agreement) plus a spread.

If the ratings of an Interest Rate Swap Provider fall below a specified ratings level (which level will be lower in respect of actions to be taken in relation to an SVR Interest Rate Swap than for other Interest Rate Swaps), such Interest Rate Swap Provider may be required to post collateral for its obligations under the relevant Interest Rate Swap Agreement, transfer its obligations under the relevant Interest Rate Swap Agreement to an appropriately rated entity, obtain a guarantee of its obligations under the relevant Interest Rate Swap Agreement from an appropriately rated guarantor and/or take such other action (which may include no action and, in the case of an SVR Interest Rate Swap, reducing the notional amount of the SVR Interest Rate Swap to zero (subject to certain conditions including the receipt of regulatory approvals and satisfaction of regulatory requirements)) which will result in the ratings assigned to the Covered Bonds being maintained at, or restored to, the level at which the Covered Bonds were rated immediately prior to the date on which the relevant downgrade occurred. For further information, please see the section entitled "*Key Rating Triggers Table*" below.

If there is a default by an Interest Rate Swap Provider under an Interest Rate Swap Agreement or an Interest Rate Swap is terminated early, the LLP shall use its reasonable efforts to enter into a replacement Interest Rate Swap in respect of the rates of interest payable on the relevant Mortgage Loans in the Mortgage Portfolio. Any such replacement swap must be entered into after termination of the relevant Interest Rate Swap(s) and on terms acceptable to the LLP and the Security Trustee and subject to receipt of a Ratings Confirmation that the appointment of the replacement Interest Rate Swap Provider would not cause the then current ratings of the Covered Bonds to be downgraded, withdrawn or qualified.

The Interest Rate Swaps may also be terminated in certain other circumstances (each referred to as an "**Interest Rate Swap Early Termination Event**"), including:

(i) at the option of any party to an Interest Rate Swap Agreement, if there is a failure by the other party to pay any amounts due under such Interest Rate Swap Agreement (for the avoidance of doubt, no such failure to pay by the LLP will entitle the relevant Interest Rate Swap Provider to terminate an Interest Rate Swap, if such failure is due to the assets available at such time to the LLP being insufficient to make the required payment in full);

(ii) upon the occurrence of the insolvency of the Interest Rate Swap Provider, or any guarantor and certain insolvency-related events in respect of the LLP, or the merger of the Interest Rate Swap Provider without an assumption of the obligations under the Interest Rate Swap Agreement; and

(iii) if an amendment to or waiver under the Transaction Documents is made that materially and adversely affects the rights of an Interest Rate Swap Provider without such Interest Rate Swap Provider's consent.

The Interest Rate Swap Early Termination Events described in paragraphs (i) and (ii) above will constitute Events of Default under (and as defined in) the relevant Interest Rate Swap.

Each of the Interest Rate Swaps will terminate on the earlier of:

(i) the final date on which the Security Trustee distributes the proceeds of the Security in accordance with the Post-Enforcement Priority of Payments following the enforcement of the Security pursuant to Condition 10(b) (*LLP Events of Default*);

(ii) the date on which the notional amount of the relevant Interest Rate Swap reduces to zero (as a result of the reduction for the amount of any Early Redemption Amount paid in respect of the Series pursuant to Condition 10(b) (*LLP Events of Default*) or any Final Redemption Amount paid pursuant to Condition 7(a) (*Final redemption*) following the Final Maturity Date);

(iii) the date of redemption pursuant to Conditions 7(b) (*Redemption for taxation reasons*) or 7(d) (*Redemption due to illegality*); and

(iv) such other date as may be specified from time to time in the relevant Interest Rate Swap Agreement.

Upon the termination of an Interest Rate Swap pursuant to an Interest Rate Swap Early Termination Event, the LLP or the Interest Rate Swap Provider may be liable to make a termination payment to the other in accordance with the provisions of the Interest Rate Swap Agreement.

Any Swap Collateral Excluded Amounts will be paid to the Interest Rate Swap Provider directly and not via the Priorities of Payments.

If withholding taxes are imposed on payments made by the Interest Rate Swap Provider under the Interest Rate Swap Agreement, the Interest Rate Swap Provider shall always be obliged to gross up these payments. If withholding taxes are imposed on payments made by the LLP to the Interest Rate Swap Provider under the Interest Rate Swap Agreement, the LLP shall not be obliged to gross up those payments.

If the LLP is required to sell Selected Mortgage Loans in the Mortgage Portfolio in order to provide liquidity in respect of the Earliest Maturing Covered Bonds following an Issuer Event of Default and service of a Notice to Pay on the LLP, then, to the extent practicable and desirable, either:

(1) the Interest Rate Swap in respect of such Mortgage Loans will partially terminate and any breakage costs payable by or to the LLP in connection with such termination will be taken into account in calculating the Adjusted Required Redemption Amount for the sale of the Selected Mortgage Loans; or

(2) such Interest Rate Swap will be partially novated to the purchaser of such Mortgage Loans, and such purchaser will thereby become party to a separate interest rate swap transaction with the relevant Interest Rate Swap Provider.

Under the Interest Rate Swap Agreements, the LLP's obligations are limited in recourse to the Charged Property.

The Interest Rate Swap Agreements and any non-contractual obligation arising in out of or in relation to the Interest Rate Swap Agreements are governed by English law.

9. Covered Bond Swap Agreements

The LLP may enter into one or more Covered Bond Swaps with one or more Covered Bond Swap Providers. Each Covered Bond Swap will provide a hedge against certain interest rate and currency risks in respect of amounts received by the LLP under the Mortgage Loans and the relevant Interest Rate Swap and amounts payable by the LLP under the Intercompany Loan Agreement (prior to the service of a Notice to Pay on the LLP) and under the Covered Bond Guarantee in respect of Covered Bonds (after the service of a Notice to Pay on the LLP) other than in respect of Floating Rate Covered Bonds denominated in pounds Sterling which bear interest calculated by reference to Compounded Daily SONIA.

Where required to hedge such risks, there will be one (or more) Covered Bond Swap Agreement(s) and Covered Bond Swap(s) in relation to each Series or Tranche, as applicable, of Covered Bonds and the Term Advance corresponding to such Series or Tranche. Under the Covered Bond Swaps on the relevant Issue Date, the LLP will pay to the relevant Covered Bond Swap Provider the amount received by the LLP under the applicable Term Advance (being an amount equal to the gross proceeds of the issue of such Series or Tranche, as applicable, of Covered Bonds) and in return the Covered Bond Swap Provider will pay an amount equal to the Sterling Equivalent of the applicable Term Advance. Thereafter, the Covered Bond Swap Provider will pay to the LLP on each Interest Payment Date amounts equivalent to the amounts that would be payable by the LLP under either the applicable Term Advance in accordance with the terms of the Intercompany Loan Agreement or the Covered Bond Guarantee in respect of interest and principal payable under the relevant Series or Tranche of Covered Bonds. In return, the LLP will pay to the Covered Bond Swap Provider on each LLP Payment Date an amount in Sterling calculated by reference to a compounded daily SONIA rate over a period corresponding to the relevant Covered Bond Swap Observation Period plus a spread and the Sterling Equivalent of any principal due in respect of the relevant Term Advance in accordance with the Intercompany Loan Agreement or the Covered Bond Guarantee.

If prior to the Final Maturity Date in respect of the relevant Series or Tranche of Covered Bonds or (if an Extended Due for Payment Date is specified as applicable in the Final Terms for a Series of Covered

Bonds and the payment of the amount corresponding to the Final Redemption Amount or any part of it by the LLP under the Covered Bond Guarantee is deferred until the relevant Extended Due for Payment Date pursuant to Condition 7(a) (*Final redemption*) of the Conditions of the Covered Bonds) any Interest Payment Date thereafter up to (and including) the relevant Extended Due for Payment Date, the LLP notifies (pursuant to the terms of the Covered Bond Swap) the relevant Covered Bond Swap Provider of the amount in the Specified Currency to be paid by the Covered Bond Swap Provider on such Final Maturity Date or Interest Payment Date (such amount being equal the Final Redemption Amount or the relevant portion thereof payable by the LLP on such Final Maturity Date or Interest Payment Date under the Covered Bond Guarantee in respect of the relevant Series or Tranche of Covered Bonds), the Covered Bond Swap Provider will pay the LLP such amount and the LLP will pay the Covered Bond Swap Provider the Sterling Equivalent of such amount. Further, if on any day an Early Redemption Amount is payable pursuant to Condition 10(b) (*LLP Events of Default*), the Covered Bond Swap Provider will pay the LLP such amount (or the relevant portion thereof) and the LLP will pay the Covered Bond Swap Provider the Sterling Equivalent thereof, following which the notional amount of the relevant Covered Bond Swaps will reduce accordingly.

Each Covered Bond Swap will terminate on the earlier of some or all of the following events (as specified in the relevant Covered Bond Swap Agreement):

(i) the Final Maturity Date or, if the LLP notifies the Covered Bond Swap Provider, prior to the Final Maturity Date, of the inability of the LLP to pay in full Guaranteed Amounts corresponding to the Final Redemption Amount, the final Interest Payment Date on which an amount representing the Final Redemption Amount is paid (but in any event not later than the Extended Due for Payment Date);

(ii) the date on which all of the relevant Covered Bonds have been redeemed in full in accordance with Condition 7(a);

(iii) the final date on which the Security Trustee distributes the proceeds of the Security in accordance with the Post-Enforcement Priority of Payments, following the enforcement of the Security pursuant to Condition 10(b) (*LLP Events of Default*); and

(iv) the Extended Due for Payment Date.

Under the terms of each Covered Bond Swap Agreement, in the event that the relevant rating of the Covered Bond Swap Provider is downgraded by a Rating Agency below the rating(s) specified in the relevant Covered Bond Swap Agreement for the Covered Bond Swap Provider, and, where applicable, as a result of the downgrade, the then current ratings of the Covered Bonds would or may, as applicable, be adversely affected, the Covered Bond Swap Provider will, in accordance with the relevant Covered Bond Swap Agreement, be required to take certain remedial measures which may include providing collateral for its obligations under the Covered Bond Swap Agreement, arranging for its obligations under the Covered Bond Swap Agreement to be transferred to an entity with the ratings specified in the Covered Bond Swap Agreement, procuring another entity with the rating(s) specified in the Covered Bond Swap Agreement to become co-obligor in respect of its obligations under the Covered Bond Swap Agreement, or taking such other action as may be specified in current rating agency criteria published by or as otherwise agreed with each Rating Agency as being sufficient to maintain the current ratings of the Covered Bonds. A failure to take such steps will allow the LLP to terminate the Covered Bond Swaps entered into under that Covered Bond Swap Agreement.

A Covered Bond Swap Agreement may also be terminated in certain other circumstances, including:

(i) at the option of any party to the Covered Bond Swap Agreement, if there is a failure by the other party to pay any amounts due under such Covered Bond Swap Agreement (for the avoidance of doubt, no such failure to pay by the LLP will entitle the relevant Covered Bond Swap Provider to terminate the Covered Bond Swap Agreement, if such failure is due to the assets available at such time to the LLP being insufficient to make the required payment in full); and

(ii) upon the occurrence of the insolvency of the relevant Covered Bond Swap Provider or any guarantor, and certain insolvency-related events in respect of the LLP or the merger of the Covered Bond Swap Provider without an assumption of the obligations under the relevant Covered Bond Swap Agreement.

Upon the termination of a Covered Bond Swap Agreement, the LLP or the relevant Covered Bond Swap Provider may be liable to make a termination payment to the other in accordance with the provisions of the relevant Covered Bond Swap Agreement. The amount of this termination payment will be calculated and made in Sterling.

Any termination payment made by the Covered Bond Swap Provider to the LLP in respect of a Covered Bond Swap Agreement will first be used to the extent necessary (prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security) to pay a replacement Covered Bond Swap Provider (or replacement Covered Bond Swap Providers) to enter into a replacement Covered Bond Swap with the LLP, unless a replacement Covered Bond Swap Agreement (or replacement Covered Bond Swap Agreements) has already been entered into on behalf of the LLP. Any premium received by the LLP from a replacement Covered Bond Swap Provider in respect of a replacement Covered Bond Swap will first be used to make any termination payment due and payable by the LLP with respect to the previous Covered Bond Swap Agreement, unless such termination payment has already been made on behalf of the LLP.

Any Swap Collateral Excluded Amounts will be paid to the Covered Bond Swap Provider directly and not via the Priorities of Payments.

If withholding taxes are imposed on payments made by any Covered Bond Swap Provider to the LLP under a Covered Bond Swap Agreement, such Covered Bond Swap Provider shall always be obliged to gross up those payments. If withholding taxes are imposed on payments made by the LLP to the Covered Bond Swap Provider under a Covered Bond Swap Agreement, the LLP shall not be obliged to gross up those payments.

In the event that the Covered Bonds are redeemed and/or cancelled in accordance with the Conditions, the Covered Bond Swap(s) in connection with such Covered Bonds will terminate or partially terminate, as the case may be. Any breakage costs payable by or to the LLP in connection with such termination will be taken into account in calculating:

(i) the Adjusted Required Redemption Amount for the sale of Selected Mortgage Loans; and

(ii) the purchase price to be paid for the relevant Covered Bonds purchased by the LLP in accordance with Condition 7(e) (*Early Redemption Amounts*).

Under each Covered Bond Swap Agreement, the LLP's obligations are limited in recourse to the Charged Property. To the extent that the LLP is unable to make any payment in full under any Covered Bond Swap due to its assets being insufficient to make such payment in full, the relevant Covered Bond Swap Provider's payment obligations will rateably reduce.

The Covered Bond Swap Agreements and any non-contractual obligation arising out of or in relation to the Covered Bond Swap Agreements are (or, as applicable, will be) governed by English law.

10. Bank Account Agreement

Pursuant to the terms of the Bank Account Agreement, the LLP will maintain with HSBC Bank plc as Account Bank the Transaction Account, which will be operated in accordance with the Cash Management Agreement, the LLP Deed and the Deed of Charge.

Amounts may be deposited by the LLP into the Transaction Account (including, following the occurrence of an Issuer Event of Default which is not cured within the applicable grace period, all amounts received from Borrowers in respect of Mortgage Loans in the Mortgage Portfolio). To the extent that the Cash Manager has not exercised its discretion to instruct any payment to be paid into the Issuer Account (for further information please see "*The Issuer Bank Account Agreement*" immediately below), all amounts held by the LLP will be deposited into the Transaction Account held at the Account Bank.

Monies standing to the credit of the Transaction Account and Issuer Account will be transferred on each LLP Payment Date and applied by the Cash Manager in accordance with the Priorities of Payments described below under "*Cashflows*".

If at any time the rating of the Account Bank falls below the Account Bank Ratings, there are various remedial actions which may be taken in accordance with the provisions of the Bank Account Agreement. Such actions must be taken within 60 calendar days of the rating of the Account Bank falling below the Account Bank Ratings (but shall not occur earlier than 30 calendar days following such downgrade) and include:

(i) closing the Transaction Account and any other account held with the Account Bank and transferring such accounts to an appropriately rated bank or financial institution on substantially similar terms to the Bank Account Agreement;

(ii) electing that the Account Bank Remedial Ratings will apply to the Account Bank;

(iii) taking necessary steps in relation to the Transaction Account and any additional account(s) held with the Account Bank in order to avoid the current ratings of the Covered Bonds from being downgraded, withdrawn or qualified by any of the Rating Agencies; or

(iv) taking any steps necessary in relation to the Transaction Account and any relevant additional account(s) held with the Account Bank as may be directed by an Extraordinary Resolution of the Covered Bondholders.

At any time the Account Bank may, having elected to apply the Account Bank Remedial Ratings to the Bank Account Agreement, revoke such application by notice to the Cash Manager and the Issuer.

If at any time the Account Bank Remedial Ratings apply to the Account Bank and at such time the rating of the Account Bank falls below the Account Bank Remedial Ratings, there are various remedial actions which may be taken in accordance with the provisions of the Bank Account Agreement. Such actions must be taken within 30 calendar days of the rating of the Account Bank falling below the Account Bank Remedial Ratings and include closing the Transaction Account and any other account held with the Account Bank and transferring such accounts to an appropriately rated bank or financial institution on substantially similar terms to the Bank Account Agreement.

The Bank Account Agreement may be terminated in other circumstances by the LLP, the Cash Manager or (following the service of an LLP Acceleration Notice) the Security Trustee. The Account Bank may also terminate the Bank Account Agreement in accordance with the provisions set out in the Bank Account Agreement.

The "**Account Bank Ratings"** means:

(i) an unsecured, unsubordinated and unguaranteed deposit rating by Moody's of A2 (long-term) and P-1 (short-term); and

(ii) a long-term IDR by Fitch of AA- or a short-term IDR by Fitch of F1+; or

(iii) in each case, such other short-term or long-term rating (or, in the case of Fitch, short-term or long-term IDR) which will not have an adverse effect on the ratings of the Covered Bonds.

The "**Account Bank Remedial Ratings"** means:

(i) an unsecured, unsubordinated and unguaranteed deposit rating by Moody's of A3 (long-term); and

(ii) a long term IDR by Fitch of A or a short-term IDR by Fitch of F1; or

(iii) in each case, such other short-term or long-term rating (or, in the case of Fitch, short-term or long-term IDR) which will not have an adverse effect on the ratings of the Covered Bonds.

The Bank Account Agreement and any non-contractual obligations arising out of or in relation to the Bank Account Agreement are governed by English law.

11. Issuer Bank Account Agreement

Pursuant to the terms of the Issuer Bank Account Agreement, the LLP will maintain with Clydesdale Bank PLC (the "**Issuer Account Bank**") the Issuer Account, which will be operated in accordance with the Cash Management Agreement, the LLP Deed and the Deed of Charge.

The Cash Manager may at any time transfer an amount up to the Issuer Permitted Cash Amount into the Issuer Account instead of into a Transaction Account. Such amounts, with respect to any Calculation Date, Loan Interest Payment Date or LLP Payment Date, shall nevertheless constitute Available Revenue Receipts or, as applicable, Available Principal Receipts and be applied by the Cash Manager in the manner described under "*Cashflows*" below. For so long as the Issuer Account Bank does not have the Account Bank Remedial Ratings, the Reserve Fund shall not be permitted to be held in the Issuer Account.

Following the recalculation of the Issuer Permitted Cash Amount on a Calculation Date, the Cash Manager shall procure that any amount already standing to the credit of the Issuer Account in excess of the recalculated Issuer Permitted Cash Amount shall be transferred to the Transaction Account within three Business Days of the date of such recalculation. Failure to arrange for transfer of any such excess amount from the Issuer Account to a Transaction Account within such three Business Day period shall result in the termination of the appointment of the Cash Manager.

If an Issuer Account Bank Transfer Event occurs, the Cash Manager shall procure that all amounts standing to the credit of the Issuer Account are transferred to a Transaction Account as soon as reasonably practicable, and subject to any requirements of law. The Cash Manager shall ensure that no amounts are transferred into the Issuer Account whilst any Issuer Account Bank Transfer Event is continuing.

The LLP (or the Cash Manager on its behalf) may invest sums standing to the credit of the Issuer Account in Substitution Assets or Authorised Investments.

The Issuer Bank Account Agreement and any non-contractual obligations arising out of or in relation to the Issuer Bank Account Agreement are governed by English law.

12. Swap Collateral Account Bank Agreement

Pursuant to the terms of the Swap Collateral Account Bank Agreement, the LLP will maintain with the Swap Collateral Account Bank the Swap Collateral Accounts, which will be operated in accordance with the Swap Collateral Account Bank Agreement, the LLP Deed and the Deed of Charge.

The Swap Collateral Account Bank Agreement and any non-contractual obligations arising out of or in relation to the Swap Collateral Account Bank Agreement are governed by English law.

13. Corporate Services Agreement

The LLP, the Liquidation Member and HoldCo entered into a Corporate Services Agreement with, *inter alios*, Intertrust Management Limited (as Corporate Services Provider) on the Initial Programme Date (as subsequently amended and/or supplemented and/or restated), pursuant to which the Corporate Services Provider has agreed to provide corporate services to each of the LLP, the Liquidation Member and HoldCo.

The Corporate Services Agreement and any non-contractual obligations arising in out of or in relation to the Corporate Services Agreement are governed by English law.

14. Deed of Charge

(a) ***Creation of Security***

Under or pursuant to the terms of the Deed of Charge, the secured obligations of the LLP and all other obligations of the LLP under or pursuant to the Transaction Documents to which it is a party are secured, *inter alia*, by the following security (the "**Security**") over the following property, assets and rights (the "**Charged Property**"):

(i) a first fixed charge (which may take effect as a floating charge) over the LLP's interest in the English Mortgage Loans and their Related Security and other related rights comprised in the Mortgage Portfolio;

(ii) an assignment by way of first fixed charge over the rights of the LLP in and to the Insurance Contracts;

(iii) a first ranking assignation in security of the LLP's interest in the Scottish Mortgage Loans and their Related Security transferred to the LLP on the First Transfer Date (comprising the LLP's beneficial interest under the initial Scottish Declaration of Trust);

(iv) an assignment by way of first fixed security over all of the LLP's interests, rights and entitlements under and in respect of any Transaction Document to which it is a party (and, in respect of the Interest Rate Swap Agreements and Covered Bond Swap Agreements, after giving effect to all applicable netting provisions therein);

(v) a first fixed charge (which may take effect as a floating charge) over the rights and benefits of the LLP in the LLP Accounts (including any Excess Proceeds) and any other account of the LLP and all amounts standing to the credit of the LLP Accounts and such other accounts;

(vi) a first fixed charge (which may take effect as a floating charge) over the rights and benefits of the LLP in respect of all Authorised Investments and Substitution Assets purchased from time to time from amounts standing to the credit of the LLP Accounts; and

(vii) a first floating charge over all the assets and undertaking of the LLP (including the assets and undertaking of the LLP located in Scotland or governed by Scots law).

In respect of the property, rights and assets governed by Scots law, fixed security will be created over such property, rights and assets sold to the LLP since the Initial Programme Date by means of Scottish Supplemental Charges pursuant to the Deed of Charge.

(b) ***Release of Security***

In the event of any sale of Mortgage Loans (including Selected Mortgage Loans) and their Related Security by the LLP pursuant to and in accordance with the Transaction Documents, the Security Trustee will (subject to the written request of the LLP), release those Mortgage Loans from the Security created by and pursuant to the Deed of Charge on the date of such sale but only if:

(i) the Security Trustee provides its prior written consent to the terms of such sale as described under "*LLP Deed – Method of sale of Selected Mortgage Loans*" above; and

(ii) in the case of the sale of Selected Mortgage Loans, the LLP provides to the Security Trustee a certificate confirming that the Selected Mortgage Loans being sold have been selected on a random basis.

In the event of the repurchase of a Mortgage Loan and its Related Security by the Seller pursuant to and in accordance with the Transaction Documents, the Security Trustee will release that Mortgage Loan from the Security created by and pursuant to the Deed of Charge on the date of the repurchase.

(c) ***Enforcement***

If an LLP Acceleration Notice is served on the LLP, the Security Trustee (acting on the directions of the Bond Trustee, so long as there are any Covered Bonds outstanding, or all of the other Secured Creditors if there are no Covered Bonds outstanding) shall be entitled to appoint a receiver, and/or enforce the Security constituted by the Deed of Charge (including selling the Mortgage Portfolio), and/or take such steps as it shall deem necessary, subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction. All proceeds received by the Security Trustee from the enforcement or realisation of the Security will be applied in accordance with the Post-Enforcement Priority of Payments described under "*Cashflows*".

(d) ***Governing law***

The Deed of Charge and any non-contractual obligation arising out of or in relation to the Deed of Charge are governed by English law (other than certain aspects relating to the Scottish Mortgage Loans and their Related Security which shall be construed in accordance with Scots law and each Scottish Supplemental Charge granted pursuant and supplemental to the Deed of Charge which will be governed by, and construed in accordance with, Scots law).

KEY RATING TRIGGERS TABLE

Transaction Party	Required Ratings		Consequences of Ratings Trigger being breached include the following
Interest Rate Swap Provider	**Fixed or Tracker Interest Rate Swap**	**SVR Interest Rate Swap**	
	Moody's Long-term counterparty risk assessment ("**LT CRA**") of at least **A3(cr)** by Moody's or, if a LT CRA is not available, a long-term unsecured, unguaranteed and unsubordinated debt obligation rating of at least **A3** by Moody's; and ***Fitch*** Long-term IDR (or, if assigned, derivative counterparty rating) of at least **A** by Fitch or a short-term IDR of at least **F1** by Fitch.	***Moody's*** LT CRA of at least **Baa3(cr)** by Moody's or, if a LT CRA is not available, a long-term unsecured, unguaranteed and unsubordinated debt obligation rating of at least **Baa3** by Moody's; and ***Fitch*** Long-term IDR (or, if assigned, derivative counterparty rating) of at least **BBB-** by Fitch.	The consequences of breach include a requirement to post collateral, and the option to replace the relevant Interest Rate Swap Provider or obtain a guarantee of the relevant Interest Rate Swap Provider's obligations or take such other action (which may include no action) as may be necessary to maintain or restore the rating of Covered Bonds.
	Moody's LT CRA of at least **Baa1(cr)** by Moody's or, if a LT CRA is not available, a long-term unsecured, unguaranteed and unsubordinated debt obligation rating of at least **Baa1** by Moody's; and ***Fitch*** Long-term IDR (or, if assigned, derivative counterparty rating) of at least **BBB-** by Fitch or a short-term IDR of at least **F3** by Fitch.	***Moody's*** LT CRA of at least **Ba3(cr)** by Moody's or, if a LT CRA is not available, a long-term unsecured, unguaranteed and unsubordinated debt obligation rating of at least **Ba3** by Moody's; and ***Fitch*** Long-term IDR (or, if assigned, derivative counterparty rating) of at least **BB-** by Fitch.	Subject to the terms of the relevant Interest Rate Swap Agreement, the consequences include requirements to (i) post collateral, and (ii) either (a) transfer the relevant Interest Rate Swap Provider's obligations to an appropriately rated entity, (b) obtain a guarantee of the relevant Interest Rate Swap Provider's obligations from an appropriately rated guarantor and/or (iii) take such other action (which may include no action and, in the case of an SVR Interest Rate Swap, reducing the notional amount of the SVR Interest Rate Swap to zero (subject to certain conditions including the receipt of regulatory approvals and satisfaction of regulatory requirements)) as may be necessary to maintain or restore the rating of Covered Bonds.
Account Bank	Account Bank Ratings		

Transaction Party	Required Ratings	Consequences of Ratings Trigger being breached include the following
	Moody's An unsecured, unsubordinated and unguaranteed deposit rating by Moody's of at least A2 (long-term) and P-1 (short-term); and	The consequences of breach may include a requirement to (i) replace the Account Bank, (ii) electing that the Account Bank Remedial Ratings will apply to the Account Bank or (iii) taking necessary steps in relation to the Transaction Account and any additional account(s) held with the Account Bank in order to avoid the current ratings of the Covered Bonds from being downgraded, withdrawn or qualified by any of the Rating Agencies, such actions must be taken within 60 calendar days of the rating of the Account Bank falling below the Account Bank Ratings (but shall not occur earlier than 30 calendar days following such downgrade), as set out in more detail in "*Summary of the Principal Documents – Bank Account Agreement*".
	Fitch a long-term IDR by Fitch of at least AA- or a short-term IDR by Fitch of at least F1+; or	
	in each case, such other short-term or long-term rating (or, in the case of Fitch, short-term or long-term IDR) which will not have an adverse effect on the ratings of the Covered Bonds	
	Account Bank Remedial Ratings	
	Moody's An unsecured, unsubordinated and unguaranteed deposit rating by Moody's of at least A3 (long-term); and	The consequences of breach may include a requirement to (i) replace the Account Bank or (ii) taking necessary steps in relation to the Transaction Account and any additional account(s) held with the Account Bank in order to avoid the current ratings of the Covered Bonds from being downgraded, withdrawn or qualified by any of the Rating Agencies, such actions must be taken within 30 calendar days of the rating of the Account Bank falling below the Account Bank Remedial Ratings, as set out in more detail in "*Summary of the Principal Documents – Bank Account Agreement*".
	Fitch a long term IDR by Fitch of at least A or a short-term IDR by Fitch of at least F1; or	
	in each case, such other short-term or long-term rating (or, in the case of Fitch, short-term or long-term IDR) which will not have an adverse effect on the ratings of the Covered Bonds.	

Transaction Party	Required Ratings	Consequences of Ratings Trigger being breached include the following
Issuer Account Bank	A long term IDR by Fitch of at least BBB-.	The consequences of breach are that the Cash Manager shall procure that all amounts standing to the credit of the Issuer Account are transferred to a Transaction Account as soon as reasonably practicable, and subject to any requirements of law and for so long as it is breached, the Cash Manager shall ensure that no amounts are transferred into the Issuer Account.
Swap Collateral Account Bank:	***Moody's*** An unsecured, unsubordinated and unguaranteed deposit rating by Moody's of at least A3 (long-term); and	The consequences of breach may include a requirement to (i) replace the Swap Collateral Account Bank or (ii) taking necessary steps in relation to the Swap Collateral Accounts and any additional account(s) held with the Swap Collateral Account Bank in order to avoid the current ratings of the Covered Bonds from being downgraded, withdrawn or qualified by any of the Rating Agencies, such actions must be taken within 30 calendar days of the rating of the Swap Collateral Account Bank falling below the Account Bank Remedial Ratings, as set out in more detail in "*Summary of the Principal Documents – Bank Account Agreement*".
	Fitch a long term IDR by Fitch of at least A or a short-term IDR by Fitch of at least F1; or	
	in each case, such other short-term or long-term rating (or, in the case of Fitch, short-term or long-term IDR) which will not have an adverse effect on the ratings of the Covered Bonds.	
Administrator	***Moody's*** In respect of Moody's, a counterparty risk assessment of at least Baa3(cr) or, if a counterparty risk assessment is not available, a long-term unsecured, unguaranteed and unsubordinated debt obligation rating of at least Baa3; and	The consequences of breach are that the Administrator is required to use reasonable efforts, with the Back-Up Administrator Facilitator, to enter into a back-up administration agreement, in form and substance acceptable to the parties to the Administration Agreement, with a suitably experienced third party acceptable to, and which shall be appointed by, the LLP within 60 days of the Administrator ceasing to be assigned such rating, as set out in more detail in "*Summary of the Principal Documents – Back-Up Administration Agreement*".
	Fitch In respect of Fitch, a long-term IDR of at least BBB-.	

Transaction Party	Required Ratings	Consequences of Ratings Trigger being breached include the following
Cash Manager	***Moody's*** In respect of Moody's, a counterparty risk assessment of at least Baa3(cr) or, if a counterparty risk assessment is not available, a long-term unsecured, unguaranteed and unsubordinated debt obligation rating of at least Baa3; and	The consequences of breach are that the Cash Manager is required to use reasonable efforts to enter into a back-up cash management agreement, in form and substance acceptable to the parties to the Cash Management Agreement, with a suitably experienced third party acceptable to, and which shall be appointed by, the LLP within 60 days of the Cash Manager ceasing to be assigned such rating, as set out in more detail in "*Summary of the Principal Documents – Cash Management Agreement*".
	Fitch In respect of Fitch, a long-term IDR of at least BBB-.	
Cash Manager or Issuer	***Moody's*** In respect of Moody's, a counterparty risk assessment of at least Baa3(cr) (or, if a counterparty risk assessment is not available, the long-term unsecured, unguaranteed and unsubordinated debt obligation ratings of at least Baa3); or	The consequences of breach are that the Asset Monitor shall conduct the calculations performed by the Cash Manager in relation to the Asset Coverage Test and the Amortisation Test, as set out in more detail in "*Summary of the Principal Documents – Asset Monitor Agreement*".
	Fitch In respect of Fitch, the long-term IDR of at least BBB-.	
Clydesdale Bank PLC	A short term unsecured, unsubordinated and unguaranteed debt obligations are rated at least F1+ by Fitch and at least P-1 by Moody's.	The consequences of breach are that a Reserve Fund will be required to be maintained, as set out in more detail in "*Credit Structure – Reserve Fund*".

CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured, unconditional obligations of the Issuer. The LLP has no obligation to pay the Guaranteed Amounts under the Covered Bond Guarantee until the occurrence of an Issuer Event of Default, service by the Bond Trustee on the Issuer of an Issuer Acceleration Notice and on the LLP of a Notice to Pay or, if earlier, following the occurrence of an LLP Event of Default, service by the Bond Trustee of an LLP Acceleration Notice. The Issuer will not be relying on payments by the LLP in respect of the Term Advances or receipt of Revenue Receipts or Principal Receipts from the Mortgage Portfolio in order to pay interest or repay principal under the Covered Bonds.

There are a number of features of the Programme which enhance the likelihood of timely and, as applicable, ultimate payments to the Covered Bondholders, as follows:

1. the Covered Bond Guarantee provides credit support to the Issuer;

2. the Asset Coverage Test is intended to test the asset coverage of the LLP's assets in respect of the Covered Bonds at all times;

3. the Amortisation Test is intended to test the asset coverage of the LLP's assets in respect of the Covered Bonds following the occurrence of an Issuer Event of Default, service of an Issuer Acceleration Notice on the Issuer and service of a Notice to Pay on the LLP; and

4. a Reserve Fund (unless Clydesdale Bank PLC's short term unsecured, unsubordinated and unguaranteed debt obligations are rated at least F1+ by Fitch and P-1 by Moody's) will be established in the Transaction Account to trap Available Revenue Receipts.

Certain of these factors are considered more fully in the remainder of this section.

In addition, the Issuer is required to comply with the terms of the RCB Regulations, as to which see further "*Description of the UK Regulated Covered Bond Regime*" below.

Guarantee

The Covered Bond Guarantee provided by the LLP under the Trust Deed guarantees payment of Guaranteed Amounts when the same become Due for Payment in respect of all Covered Bonds issued under the Programme. The Covered Bond Guarantee will not guarantee any amount becoming payable for any other reason, including any accelerated payment pursuant to Condition 10 (*Events of Default and Enforcement*) following the occurrence of an Issuer Event of Default. In this circumstance (and until an LLP Event of Default occurs and an LLP Acceleration Notice is served), the LLP's obligations will only be to pay the Guaranteed Amounts as they fall Due for Payment.

See further "*Summary of the Principal Documents – Trust Deed*" as regards the terms of the Covered Bond Guarantee. See further "*Cashflows – Guarantee Priority of Payments*" as regards the payment of amounts payable by the LLP to the Covered Bondholders and other Secured Creditors following the occurrence of an Issuer Event of Default.

Asset Coverage Test

The Asset Coverage Test is intended to ensure that the LLP can meet its obligations under the Covered Bond Guarantee and senior ranking expenses which will include costs relating to the maintenance, administration and winding-up of the Asset Pool whilst the Covered Bonds are outstanding. Under the LLP Deed, the LLP and its Members (other than the Liquidation Member) must ensure that on each Calculation Date the Adjusted Aggregate Loan Amount will be in an amount equal to or in excess of the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date. If on any Calculation Date the Asset Coverage Test is not satisfied and such failure is not remedied on or before the next following Calculation Date, the Asset Coverage Test will be breached and the Bond Trustee will serve an Asset Coverage Test Breach Notice on the LLP. The Asset Coverage Test is a formula which adjusts the Current Balance of each Mortgage Loan in the Mortgage Portfolio and has further adjustments to take account of set-off on a Borrower's savings accounts held with the Seller and failure by the Seller, in accordance with the Mortgage Sale Agreement, to repurchase Mortgage Loans that do not materially comply with the Loan Warranties on the relevant Transfer Date.

See further "*Summary of the Principal Documents – LLP Deed – Asset Coverage Test*", above.

An Asset Coverage Test Breach Notice will be revoked if, on any Calculation Date falling on or prior to the third Calculation Date following the service of the Asset Coverage Test Breach Notice, the Asset Coverage Test is satisfied and neither a Notice to Pay nor an LLP Acceleration Notice has been served.

If an Asset Coverage Test Breach Notice has been served and not revoked on or before the third Calculation Date after service of such Asset Coverage Test Breach Notice, then an Issuer Event of Default shall occur and the Bond Trustee shall be entitled (and, in certain circumstances, may be required) to serve an Issuer Acceleration Notice. Following service of an Issuer Acceleration Notice, the Bond Trustee must serve a Notice to Pay on the LLP.

The Issuer is additionally required to ensure that the principal amount of the eligible property in the Asset Pool is greater than 108 per cent. of the Principal Amount Outstanding of the Covered Bonds in accordance with the terms of the RCB Regulations. See further "*Description of the UK Regulated Covered Bond Regime*" below.

Amortisation Test

The Amortisation Test is intended to ensure that if, following an Issuer Event of Default, service of an Issuer Acceleration Notice on the Issuer and the service of a Notice to Pay on the LLP (but prior to service on the LLP of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security), the value of the assets of the LLP available to meet its obligations under the Covered Bond Guarantee fall to a level where the Covered Bondholders may not be repaid, an LLP Event of Default will occur and all amounts owing under the Covered Bonds may be accelerated. Under the LLP Deed, the LLP and its Members (other than the Liquidation Member) must ensure that, on each Calculation Date following an Issuer Event of Default and the service of a Notice to Pay on the LLP, the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date. The Amortisation Test is a formula which adjusts the Current Balance of each Mortgage Loan in the Mortgage Portfolio and has further adjustments to take account of Mortgage Loans in arrears. See further "*Summary of the Principal Documents – LLP Deed – Amortisation Test*", above.

Reserve Fund

The LLP has established the Reserve Fund on the Transaction Account or the Issuer Account, subject to the Issuer Permitted Cash Amount which will be credited with part of the Term Advance (at the LLP's discretion) and Available Revenue Receipts up to an amount equal to the Reserve Fund Required Amount. The LLP will not be required to maintain the Reserve Fund following the occurrence of an Issuer Event of Default or if Clydesdale Bank PLC's short term unsecured, unsubordinated and unguaranteed debt obligations are rated at least F1+ by Fitch and P-1 by Moody's.

The Reserve Fund is funded from Available Revenue Receipts after the LLP has paid all of its obligations in respect of items ranking higher than the Reserve Ledger in the Pre-Acceleration Revenue Priority of Payments on each LLP Payment Date.

A Reserve Ledger will be maintained by the Cash Manager to record the balance from time to time of the Reserve Fund. Following the occurrence of an Issuer Event of Default and service of a Notice to Pay on the LLP, amounts standing to the credit of the Reserve Fund will be added to certain other income of the LLP in calculating Available Revenue Receipts.

Coupon Payments

If Clydesdale Bank PLC is acting as Cash Manager pursuant to the Cash Management Agreement and a Cash Manager Relevant Event occurs and is continuing**,** the Seller will (a) within 10 Business Days of the occurrence of the Cash Manager Relevant Event and, (b) thereafter (i) (in respect of each Term Advance where there is not a Covered Bond Swap in place other than an Accumulation Series of Covered Bonds) within 1 Business Day of each Loan Interest Payment Date for each such Term Advance make a Cash Capital Contribution to the LLP in an amount equal to the Required Coupon Amount for each such Term Advance for the next following Loan Interest Payment Date and/or (ii) (in respect of each Term Advance where there is a Covered Bond Swap in place) within 1 Business Day of each Party B payment date under each Covered Bond Swap make a Cash Capital Contribution to the LLP in an amount equal to the Required Coupon Amount for each such Covered Bond Swap for the next following Party B payment date (each as defined in the relevant Covered Bond Swap Agreement) and/or (iii) (in the case of a Term Advance relating to an Accumulation Series of Covered Bonds), within 1

Business Day of each LLP Payment Date for each such Term Advance relating to an Accumulation Series of Covered Bonds make a Cash Capital Contribution to the LLP in an amount equal to the Required Coupon Amount for each such Term Advance on the immediately subsequent LLP Payment Date.

If a Cash Manager Relevant Event has occurred and is continuing, the LLP will not be required to hold amounts in respect of the LLP Monthly Interest Amount in the relevant Interest Accumulation Ledger in respect of an Accumulation Series of Covered Bonds and may apply the payments that would otherwise be paid into the relevant Interest Accumulation Ledger in accordance with the relevant Priorities of Payments to make a payment to the Coupon Payment Ledger to fund in whole or in part, the amount to be deposited by the Seller set out above. Any surplus over and above the amount to be deposited as described above, will be paid into the Interest Accumulation Ledger.

The LLP will transfer an amount equal to the Cash Capital Contribution it receives from the Seller within one Business Day of receipt of such amount into the Transaction Account and make a credit to the Coupon Payment Ledger. On the date of the transfer the LLP will, on the direction of the Issuer, deliver an irrevocable payment instruction (specifying the ISIN code and/or CUSIP as applicable or the relevant Series of Covered Bonds) to the Account Bank and/or the Issuer Account Bank, as applicable, to pay such amounts (to the extent such amounts have not been paid in whole or in part by the Issuer or (following the occurrence of an Issuer Event of Default and the service of an Issuer Acceleration Notice and a Notice to Pay to the LLP) the LLP (or the Cash Manager on its behalf) on the relevant dates) to the Principal Paying Agent or the relevant Covered Bond Swap Provider, as applicable on the dates referred to above.

Interest Accumulation Ledger

In relation to each Series of Covered Bonds that (a) does not have a Covered Bond Swap in place and (b) does not have monthly Interest Payment Dates (each such Series, an "**Accumulation Series of Covered Bonds**"), the Cash Manager shall maintain an Interest Accumulation Ledger, to which the LLP Monthly Interest Amount will be credited on each LLP Payment Date. Amounts standing to the credit of the Interest Accumulation Ledger in respect of each such Accumulation Series of Covered Bonds will be applied on the relevant Loan Interest Payment Date, together with Available Revenue Receipts (applied in accordance with the relevant Priorities of Payments), to make payments under the Term Advances or Covered Bonds, as applicable.

CASHFLOWS

As described above under "*Credit Structure*", until a Notice to Pay or LLP Acceleration Notice is served on the LLP, the Covered Bonds will be obligations of the Issuer only. The Issuer is liable to make payments when due on the Covered Bonds, whether or not it has received any corresponding payment from the LLP.

This section summarises the Priorities of Payments of the LLP, as to the allocation and distribution of amounts standing to the credit of the LLP Accounts and their order of priority:

(a) prior to service on the LLP of an Asset Coverage Test Breach Notice (which has not been revoked), a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or the realisation of the Security;

(b) following service of an Asset Coverage Test Breach Notice (and for so long as it has not been revoked);

(c) following service of a Notice to Pay; and

(d) following service of an LLP Acceleration Notice, realisation of the Security and/or the commencement of winding-up proceedings against the LLP.

LLP Payment Dates will occur monthly.

Allocation and distribution of Available Revenue Receipts prior to the service of an Asset Coverage Test Breach Notice (which has not been revoked), a Notice to Pay or an LLP Acceleration Notice

Prior to service of an Asset Coverage Test Breach Notice (which has not been revoked), a Notice to Pay or an LLP Acceleration Notice on the LLP and/or the commencement of winding-up proceedings against the LLP and/or the realisation of the Security, Available Revenue Receipts will be allocated and distributed as described below.

On the Calculation Date immediately preceding each LLP Payment Date, the LLP (or the Cash Manager on its behalf) shall calculate (a) the amount of Available Revenue Receipts available for distribution on the immediately following LLP Payment Date and (b) the Reserve Fund Required Amount (if applicable).

Pre-Acceleration Revenue Priority of Payments

On each LLP Payment Date (except for amounts due to third parties by the LLP under item (b) below and any Non-LLP Amounts, which in each case shall be paid when due), the LLP or the Cash Manager on its behalf will apply all Available Revenue Receipts to make the following payments or provisions or credits in the following order of priority (the "**Pre-Acceleration Revenue Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

(a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) all amounts due and payable or to become due and payable to the Bond Trustee in the immediately succeeding LLP Payment Period under the provisions of the Trust Deed together with interest and applicable VAT (or other similar taxes) thereon as provided therein; and

(ii) all amounts due and payable or to become due and payable to the Security Trustee in the immediately succeeding LLP Payment Period under the provisions of the Trust Deed together with interest and applicable VAT (or other similar taxes) thereon as provided therein;

(b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any remuneration then due and payable to the Agents under the provisions of the Agency Agreement together with applicable VAT (or other similar taxes) thereon as provided therein;

(ii) amounts (if any) due and payable to the Account Bank and the Swap Collateral Account Bank (including costs) pursuant to the terms of the Bank Account Agreement or the Swap Collateral Account Bank Agreement, as applicable, together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and

(iii) amounts due and payable to the Corporate Services Provider pursuant to the terms of the Corporate Services Agreement together with applicable VAT (or other similar taxes) thereon as provided therein;

(c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any amounts due and payable by the LLP to third parties and incurred without breach by the LLP of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere in the relevant Priorities of Payments) and to provide for any such amounts expected to become due and payable by the LLP in the immediately succeeding LLP Payment Period and to pay and discharge any liability of the LLP for taxes;

(d) *fourth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any remuneration then due and payable to the Administrator and any costs, charges, liabilities and expenses then due or to become due and payable to the Administrator under the provisions of the Administration Agreement in the immediately succeeding LLP Payment Period, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(ii) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager under the provisions of the Cash Management Agreement in the immediately succeeding LLP Payment Period, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(iii) amounts (if any) due and payable to the Issuer Account Bank (including costs) pursuant to the terms of the Issuer Bank Account Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and

(iv) amounts due and payable to the Asset Monitor pursuant to the terms of the Asset Monitor Agreement (other than the amounts referred to in item (j) below), together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(e) *fifth*, in or towards payment *pro rata* and *pari passu* of any amount due to an Interest Rate Swap Provider pursuant to the terms of the Interest Rate Swap Agreement to which it is a party (including any termination payment (but excluding any Excluded Swap Termination Amount));

(f) *sixth*, in or towards payment on the LLP Payment Date or to provide for payment on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine (and in the case of any such payment or provision, after taking into account any provisions previously made and any amounts receivable from an Interest Rate Swap Provider under the relevant Interest Rate Swap Agreement and, if applicable, any amounts (other than principal) received or receivable from a Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on the LLP Payment Date or such date in the future as the Cash Manager may reasonably determine), of:

(i) taking into account any amounts paid from amounts credited to the Coupon Payment Ledger of the LLP Accounts, in respect of any Term Advance with a Covered Bond Swap in place, any amounts due and payable or to become due and payable to the Covered Bond Swap Providers (other than in respect of principal) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment (other than in relation to principal) due and payable by the LLP under the relevant Covered Bond Swap Agreement, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Swap Providers) pursuant to the terms of the relevant Covered Bond Swap Agreements; and

(ii) taking into account any amounts paid from amounts credited to the Coupon Payment Ledger and, in respect of any Term Advance that relates to an Accumulation Series of Covered Bonds, any amount credited to the Interest Accumulation Ledger in respect of that Term Advance, in each case, of the LLP Accounts, in respect of any Term Advance without a Covered Bond Swap in place, any amounts due and payable or to become due and payable (excluding principal amounts), *pro rata* and *pari passu* in respect of each relevant Term Advance to the Issuer pursuant to the terms of the Intercompany Loan Agreement; and

(iii) in respect of any Accumulation Series of Covered Bonds, where the amount is not due and payable in respect of any related Term Advance, to, if applicable make a credit to the Interest Accumulation Ledger in respect of that Term Advance in an amount equal to the LLP Monthly Interest Amount;

(g) *seventh,* if an Administrator Event of Default has occurred, all remaining Available Revenue Receipts to be credited to the Transaction Account (with a corresponding credit to the Revenue Ledger maintained in respect of that account) until such Administrator Event of Default is either remedied by the Administrator or waived by the Security Trustee or a new administrator is appointed to administer the Mortgage Portfolio (or the relevant part thereof);

(h) *eighth,* in or towards a credit to the Reserve Ledger on the Transaction Account of an amount up to but not exceeding the amount by which the Reserve Fund Required Amount exceeds the existing balance on the Reserve Ledger as calculated on the immediately preceding Calculation Date;

(i) *ninth,* payment *pro rata* and *pari passu* in accordance with the respective amounts thereof of any Excluded Swap Termination Amounts due and payable by the LLP under the Covered Bond Swap Agreements and the Interest Rate Swap Agreements;

(j) *tenth,* in or towards payment *pro rata* and *pari passu* in accordance with the respective amounts thereof of any indemnity amount due to the Asset Monitor pursuant to the Asset Monitor Agreement, and any indemnity amount due to the Members pursuant to the LLP Deed;

(k) *eleventh,* in or towards repayment to the Seller of any Cash Capital Contributions made by Clydesdale Bank PLC (in its capacity as a Member of the LLP) and deemed as revenue items or otherwise made to credit the Coupon Payment Ledger of the Transaction Account;

(l) *twelfth,* in or towards payment of Deferred Consideration due to the Seller for the transfer of the Mortgage Loans and their Related Security to the LLP, to pay all remaining Available Revenue Receipts (except for an amount equal to the fee payable to the Liquidation Member in accordance with (m) and an amount equal to the profit to be paid to the Members in accordance with (n) below) to the Seller;

(m) *thirteenth,* in or towards payment of the fee due to the Liquidation Member; and

(n) *fourteenth,* towards payment *pro rata* and *pari passu* to the Members of the sum of £300 (or such other sum as may be agreed by the Members from time to time), in aggregate, to be credited to the relevant sub-ledger of the Capital Account Ledger in proportion to the Members' respective Capital Contribution Balances as at the immediately preceding Calculation Date subject to a minimum of £1 per annum each, as their profit for their respective interests as Members of the LLP,

provided that, if an LLP Payment Date is not the same as an Interest Payment Date, Available Revenue Receipts will be applied initially on the Interest Payment Date in payment of any amount due to the Covered Bond Swap Providers under item (f)(i) above but only to the extent that adequate provision is made for any payments of a higher priority to be made in full on the immediately succeeding LLP Payment Date.

On each Loan Interest Payment Date, any amount standing to the credit of the Interest Accumulation Ledger including any amount credited to the Interest Accumulation Ledger on such Loan Interest Payment Date (if such Loan Interest Payment Date is also an LLP Payment Date) in accordance with item (f)(i) above, shall be applied in paying interest due on the Term Advance in respect of such Accumulation Series of Covered Bonds at item (f)(ii) of the Pre-Acceleration Revenue Priority of Payments to the extent such amounts are due and payable provided that if a Cash Manager Relevant Event has occurred and is continuing, the LLP shall not be required to credit amounts in respect of the LLP Monthly Interest Amount to the relevant Interest Accumulation Ledger in respect of an Accumulation Series of Covered Bonds and may apply the payments that would otherwise be credited to the relevant Interest Accumulation Ledger in accordance with the relevant Priorities of Payments to credit the Coupon Payment Ledger to fund in whole or in part, the amount to be deposited by the Seller pursuant to the LLP Deed. Any surplus over and above the amount to be deposited by the Seller pursuant to the LLP Deed shall be credited to the Interest Accumulation Ledger.

Amounts standing to the credit of the LLP Profit Ledger shall, at the discretion of the Cash Manager, be paid to the relevant Members of the LLP as their profit for their respective interests as Members of the LLP.

Any amounts received by the LLP under the Interest Rate Swap Agreement on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payments made on any preceding LLP Payment Date, to make payments (other than in respect of principal) due and payable *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap under the Covered Bond Swap Agreements or, as the case may be, in respect of each relevant Term Advance under the Intercompany Loan Agreement unless an Asset Coverage Test Breach Notice has been served and has not been revoked or otherwise to make provision for such payments on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine.

Any amounts (other than in respect of principal) received by the LLP under a Covered Bond Swap on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payments made on any preceding LLP Payment Date, to make payments (other than principal) due and payable *pro rata* and *pari passu* in respect of each relevant Term Advance under the Intercompany Loan Agreement or otherwise to make provision for such payments on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine unless an Asset Coverage Test Breach Notice has been served and has not been revoked.

Any amounts received under an Interest Rate Swap Agreement and any amounts (other than in respect of principal) received under the Covered Bond Swap Agreements on the LLP Payment Date or on any date prior to the next succeeding LLP Payment Date which are not put towards a payment or provision in accordance with item (d) of the Pre-Acceleration Revenue Priority of Payments or the preceding two paragraphs will be credited to the Revenue Ledger on the LLP Accounts and applied as Available Revenue Receipts on the next succeeding LLP Payment Date.

Pursuant to the Intercompany Loan Agreement and the LLP Deed, the Issuer requires the LLP to direct each Covered Bond Swap Provider to pay any amounts due to the LLP under a Covered Bond Swap, the proceeds of which would otherwise be applied by the LLP directly towards payment to the Issuer in satisfaction of amounts outstanding under any relevant Term Advance (in respect of which there is a Covered Bond Swap in place), and the LLP is required to pay any other amounts otherwise to be applied by the LLP directly towards payment to the Issuer in accordance with item (f)(ii) of the Pre-Acceleration Revenue Priority of Payments or item (c)(ii) of the Pre-Acceleration Principal Priority of Payments, directly to the Principal Paying Agent, in each case, unless (i) the Issuer has paid or discharged the corresponding payment under the relevant Series of Covered Bonds (in which case, the relevant amount shall be paid by the LLP to such account of the Issuer as is notified to the LLP by the Issuer for this purpose) or, (ii) (in respect of a Term Advance where there is not a Covered Bond Swap in place) following a Cash Manager Relevant Event and for so long as a Cash Manager Relevant Event is continuing, the corresponding payment under the relevant Series of Covered Bonds has been paid, at the direction of the LLP from amounts standing to the credit of the Coupon Payment Ledger on the LLP Accounts.

Allocation and distribution of Principal Receipts prior to service of an Asset Coverage Test Breach Notice (which has not been revoked), a Notice to Pay or an LLP Acceleration Notice

Prior to service on the LLP of an Asset Coverage Test Breach Notice (which has not been revoked), a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or the realisation of the Security, Principal Receipts will be allocated and distributed as described below.

On each Calculation Date, the LLP or the Cash Manager on its behalf will calculate the amount of Available Principal Receipts available for distribution on the immediately following LLP Payment Date.

If an LLP Payment Date is the same as an Interest Payment Date, then the distribution of Available Principal Receipts under the Pre-Acceleration Principal Priority of Payments will be delayed until the Issuer has made scheduled interest and/or principal payments on that Interest Payment Date unless payment is made by the LLP directly to the Bond Trustee (or the Principal Paying Agent at the direction of the Bond Trustee).

Pre-Acceleration Principal Priority of Payments

On each LLP Payment Date, the LLP or the Cash Manager on its behalf will apply all Available Principal Receipts (other than Cash Capital Contributions made from time to time by Clydesdale Bank PLC (in its capacity as a Member) which have not been designated Principal Receipts) to make the following payments or provisions or credits in the following order of priority (the "**Pre-Acceleration Principal Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been paid in full to the extent the same are payable on the relevant LLP Payment Date):

(a) *first*, to acquire New Mortgage Loans and their Related Security offered to the LLP by the Seller in accordance with the terms of the Mortgage Sale Agreement in an amount sufficient to ensure that taking into account the other resources available to the LLP, the LLP is in compliance with the Asset Coverage Test and thereafter to acquire Substitution Assets;

(b) *second*, to deposit the remaining Principal Receipts in the LLP Accounts (with a corresponding credit to the Principal Ledger and in the case of the Issuer Account in an amount not exceeding the Issuer Permitted Cash Amount) in an amount sufficient to ensure that taking into account the other resources available to the LLP, the LLP is in compliance with the Asset Coverage Test;

(c) *third*, in or towards repayment on the LLP Payment Date (or to provide for repayment on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine) of the corresponding Term Advance related to each Series of Covered Bonds by making the following payments:

(i) the amounts (in respect of principal) due or to become due and payable to the relevant Covered Bond Swap Providers pro rata and pari passu in respect of each relevant Covered Bond Swap (including any termination payment (relating solely to principal) due and payable by the LLP under the relevant Covered Bond Swap Agreements, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Swap Providers) in accordance with the terms of the relevant Covered Bond Swap Agreement; and

(ii) (where appropriate, after taking into account any amounts in respect of principal receivable from a Covered Bond Swap Provider on the LLP Payment Date or such date in the future as the Cash Manager may reasonably determine) the amounts (in respect of principal) due or to become due and payable to the Issuer pro rata and pari passu in respect of each relevant Term Advance; and

(d) *fourth*, subject to complying with the Asset Coverage Test, to make a Capital Distribution to Clydesdale Bank PLC (in its capacity as a Member of the LLP) by way of distribution of its equity in the LLP in accordance with the LLP Deed.

Unless an Asset Coverage Test Breach Notice has been served and has not been revoked, any amounts in respect of principal received by the LLP under a Covered Bond Swap on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payments made on any preceding LLP Payment Date, (provided that all principal amounts outstanding under the related Series of Covered Bonds which have fallen due for repayment on such date have been repaid in full by the Issuer), to make payments in respect of principal due and payable to the Issuer in respect of the corresponding Term Advance under the Intercompany Loan Agreement or otherwise to make provision for such payments on such date in the future of such proportion of the relevant payment falling in the future as the Cash Manager may reasonably determine.

Any amounts of principal received under the Covered Bond Swap Agreements on the LLP Payment Date or any date prior to the next succeeding LLP Payment Date which are not put towards a payment or provision in accordance with item (c) above or the preceding paragraph will be credited, on or before the LLP Payment Date, to the Principal Ledger on the LLP Accounts and applied as Available Principal Receipts on the next succeeding LLP Payment Date.

Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of an Asset Coverage Test Breach Notice

At any time after service on the LLP of an Asset Coverage Test Breach Notice (which has not been revoked), but prior to service of a Notice to Pay or service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or the realisation of the Security, all Available Revenue Receipts and Available Principal Receipts will continue to be applied in accordance with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments save that, whilst any Covered Bonds remain outstanding, no monies (including for the avoidance of doubt, any monies then standing to the credit of the Interest Accumulation Ledger) will be applied under item (f)(ii) (unless they are paid directly by the LLP to the Principal Paying Agent), item (j) (to the extent only that such amounts are payable to the Members), item (k) or item (l) of the Pre-Acceleration Revenue Priority of Payments or item (a), item (c)(ii) (unless they are paid directly by the LLP to the Principal Paying Agent) or item (d) of the Pre-Acceleration Principal Priority of Payments. In such

case, any amounts due from the Covered Bond Swap Providers shall be paid directly to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent.

Allocation and Distribution of Available Revenue Receipts and Available Principal Receipts following service of a Notice to Pay

At any time after the service of a Notice to Pay on the LLP, but prior to service of an LLP Acceleration Notice and/or the realisation of the Security and/or the commencement of winding-up proceedings in respect of the LLP, all Available Revenue Receipts and Available Principal Receipts (other than Non-LLP Amounts) will be applied as described below under "*Guarantee Priority of Payments*".

On each LLP Payment Date, the LLP or the Cash Manager on its behalf will transfer Available Revenue Receipts and Available Principal Receipts from the Revenue Ledger, the Reserve Ledger, the Principal Ledger or the Capital Account Ledger, as the case may be, to the Coupon Payment Ledger on the LLP Accounts, in an amount equal to the lower of (a) the amount required to make the payments set out in the Guarantee Priority of Payments and (b) the amount of all Available Revenue Receipts and Available Principal Receipts standing to the credit of such ledgers on the LLP Accounts.

The LLP will create and maintain ledgers for each Series of Covered Bonds and record amounts allocated to such Series of Covered Bonds in accordance with item (e) of the Guarantee Priority of Payments below, and such amounts, once allocated, will only be available to pay amounts due under the Covered Bond Guarantee and amounts due under the Covered Bond Swap in respect of the relevant Series of Covered Bonds on the scheduled repayment dates thereof.

Guarantee Priority of Payments

On each LLP Payment Date after the service of a Notice to Pay on the LLP (but prior to the occurrence of an LLP Event of Default), the LLP or the Cash Manager on its behalf will apply Available Revenue Receipts and Available Principal Receipts to make the following payments and provisions in the following order of priority (the "**Guarantee Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

(a) *first,* in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) all amounts due and payable or to become due and payable to the Bond Trustee in the immediately succeeding LLP Payment Period under the provisions of the Trust Deed together with interest and applicable VAT (or other similar taxes) thereon as provided therein;

(ii) all amounts due and payable or to become due and payable to the Security Trustee in the immediately succeeding LLP Payment Period under the provisions of the Deed of Charge together with interest and applicable VAT (or other similar taxes) thereon as provided therein;

(b) *second,* in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any remuneration then due and payable to the Agents under the provisions of the Agency Agreement together with applicable VAT (or other similar taxes) thereon as provided therein;

(ii) amounts (if any) due and payable to the Account Bank and the Swap Collateral Account Bank (including costs) pursuant to the terms of the Bank Account Agreement or the Swap Collateral Account Bank Agreement, as applicable, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(iii) any amounts then due and payable to the Corporate Services Provider pursuant to the Corporate Services Agreement together with applicable VAT (or similar taxes) thereon as provided therein; and

(iv) any amounts then due and payable by the LLP to third parties and incurred without breach by the LLP of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and to provide for any such amounts expected to become due and payable by the LLP in the immediately succeeding LLP Payment Period and to pay or discharge any liability of the LLP for taxes;

(c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any remuneration then due and payable to the Administrator and any costs, charges, liabilities and expenses then due or to become due and payable to the Administrator in the immediately succeeding LLP Payment Period under the provisions of the Administration Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(ii) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager in the immediately succeeding LLP Payment Period under the provisions of the Cash Management Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(iii) amounts (if any) due and payable to the Issuer Account Bank (including costs) pursuant to the terms of the Issuer Bank Account Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(iv) amounts (if any) due and payable to the FCA under the RCB Regulations (other than the initial registration fees) together with applicable VAT (or other similar taxes) thereon; and

(v) amounts due and payable to the Asset Monitor (other than the amounts referred to in item (k) below) pursuant to the terms of the Asset Monitor Agreement, together with applicable VAT (or other similar taxes) thereon as provided therein;

(d) *fourth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof, of any amounts due and payable to an Interest Rate Swap Provider pursuant to the terms of the Interest Rate Swap Agreement to which it is a party (including any termination payment due and payable by the LLP under the Interest Rate Swap Agreement but excluding any Excluded Swap Termination Amount) pursuant to the terms of the Interest Rate Swap Agreements;

(e) *fifth*, to pay *pro rata* and *pari passu* according to the respective amounts thereof, of:

(i) taking into account any amounts paid from amounts credited to the Coupon Payment Ledger of the LLP Accounts, in respect of any Term Advance with a Covered Bond Swap in place, any amounts due and payable, the amounts due and payable (or to become due and payable in the immediately succeeding LLP Payment Period) to the relevant Covered Bond Swap Providers (other than in respect of principal) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment (other than in respect of principal) due and payable by the LLP under the relevant Covered Bond Swap Agreement but excluding any Excluded Swap Termination Amount (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Covered Bond Swap Provider)) in accordance with the terms of the relevant Covered Bond Swap Agreement; and

(ii) taking into account any amounts paid from amounts credited to the Coupon Payment Ledger and, in respect of any Term Advance that related to an Accumulation Series of Covered Bonds, any amount credited to the Interest Accumulation Ledger in respect of that Series of Covered Bonds, in each case, of the LLP Accounts as applicable, in respect of any Term Advance without a Covered Bond Swap in place, any amounts due and payable to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* Scheduled Interest that is Due for Payment (or will become Due for Payment in the immediately succeeding LLP Payment Period) under the Covered Bond Guarantee in respect of each Series of Covered Bonds; and

(iii) in respect of any Accumulation Series of Covered Bonds, where the amount is not due and payable in respect of any related Series of Covered Bonds, to, if applicable make a credit to the Interest Accumulation Ledger in respect of that Series of Covered Bonds in an amount equal to the LLP Monthly Interest Amount,

but, in the case of any such payment or provision, after taking into account any amounts received or receivable from the Interest Rate Swap Providers in respect of the relevant Interest Rate Swap and, if applicable, any amounts (other than in respect of principal) received or receivable from a Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on the relevant LLP Payment Date or in the immediately succeeding LLP Payment Period, provided that if the amount available for distribution

under this item (e) (excluding any amounts received (or to be received) from the Covered Bond Swap Provider) would be insufficient to pay the Sterling Equivalent of the Scheduled Interest that is Due for Payment in respect of each Series of Covered Bonds under item (e)(ii) above, the shortfall shall be divided amongst all such Series of Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider in respect of each relevant Covered Bond Swap under item (e)(i) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

(f) *sixth*, to pay or provide for *pro rata* and *pari passu* according to the respective amounts thereof, of:

(i) the amounts (in respect of principal) due and payable (or to become due and payable in the immediately succeeding LLP Payment Period) to the relevant Covered Bond Swap Provider *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds but excluding any Excluded Swap Termination Amount pursuant to the terms of the relevant Covered Bond Swap Agreement; and

(ii) to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* Scheduled Principal that is Due for Payment (or will become Due for Payment in the immediately succeeding LLP Payment Period) under the Covered Bond Guarantee in respect of each Series of Covered Bonds,

but, in the case of any such payment or provision, after taking into account any principal amounts received or receivable from a Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on the relevant LLP Payment Date or in the immediately succeeding LLP Payment Period, provided that if the amount available for distribution under this item (f) (excluding any amounts received or to be received from the relevant Covered Bond Swap Provider) would be insufficient to pay the Sterling Equivalent of the Scheduled Principal that is Due for Payment in respect of the relevant Series of Covered Bonds under item (f)(ii) above, the shortfall shall be divided amongst all such Series of Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider in respect of each relevant Covered Bond Swap under item (f)(i) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

(g) *seventh*, in respect of any Series of Covered Bonds to which an Extended Due for Payment Date applies and whose Final Redemption Amount was not paid in full by the Extension Determination Date (the "**Extended Covered Bonds**") and any relevant Covered Bond Swap in respect thereof, on a *pro rata* and *pari passu* basis according to the respective amounts thereof:

(i) the amounts (in respect of principal) due and payable to each relevant Covered Bond Swap Provider (or to become due and payable in the immediately succeeding LLP Payment Period) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (but, for the avoidance of doubt, excluding any Excluded Swap Termination Amount) pursuant to the terms of the relevant Covered Bond Swap Agreements; and

(ii) to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* the Final Redemption Amount or the relevant proportion thereof under the relevant Covered Bond Guarantee in respect of each relevant Series of Extended Covered Bonds,

but, in the case of any such payment, after taking into account any amounts (in respect of principal) received or receivable from the relevant Covered Bond Swap Provider in respect of the Covered Bond Swap corresponding to the Extended Covered Bonds on the LLP Payment Date or in the immediately succeeding LLP Payment Period, provided that if the amount available for distribution under this item (g) (excluding any amounts received or to be received from the relevant Covered Bond Swap Provider) would be insufficient to pay the Sterling Equivalent of the Final Redemption Amount in respect of each relevant Series of Covered Bonds under item (g)(ii) above, the shortfall shall be divided amongst all such Series of Extended Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider under each relevant Covered Bond Swap Agreement in respect of each relevant Series of Extended Covered Bonds under item (g)(i) above shall be reduced by the amount of the shortfall applicable to the Extended Covered Bonds in respect of which such payment is to be made;

(h) *eighth*, to deposit the remaining moneys in the Transaction Account for application on the next following LLP Payment Date in accordance with the priority of payments described in items (a) to (g) (inclusive) above, until the Covered Bonds have been fully repaid or provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds);

(i) *ninth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any Excluded Swap Termination Amount due and payable by the LLP to the relevant Swap Provider under the relevant Swap Agreement;

(j) *tenth*, after the Covered Bonds have been fully repaid or provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds), any remaining monies will be applied in and towards repayment in full of amounts outstanding under the Intercompany Loan Agreement;

(k) *eleventh*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any indemnity amount due to the Members pursuant to the LLP Deed and certain costs, expenses and indemnity amounts due by the LLP to the Asset Monitor pursuant to the Asset Monitor Agreement; and

(l) *twelfth*, thereafter any remaining monies will be applied in accordance with the LLP Deed.

On each Interest Payment Date, any amount standing to the credit of the Interest Accumulation Ledger and (without double counting) any amount credited to the Interest Accumulation Ledger on such Interest Payment Date (if such Interest Payment Date is also an LLP Payment Date) in accordance with item (e)(iii) above of the Guarantee Priority of Payments in respect of an Accumulation Series of Covered Bonds, shall be applied in paying Scheduled Interest that is Due for Payment in respect of such Accumulation Series of Covered Bonds in accordance with item (e)(ii) of the Guarantee Priority of Payments.

Termination payments received in respect of Swaps, premiums received in respect of replacement Swaps

If the LLP receives any termination payment from a Swap Provider in respect of a Swap Agreement, such termination payment will first be used, to the extent necessary (prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or the realisation of the Security) to pay a replacement Swap Provider(s) to enter into a replacement Swap Agreement(s) with the LLP, unless a replacement Swap Agreement(s) has already been entered into on behalf of the LLP. If the LLP receives any premium from a replacement Swap Provider in respect of a replacement Swap Agreement, such premium will first be used to make any termination payment due and payable by the LLP with respect to the previous Swap Agreement(s), unless such termination payment has already been made on behalf of the LLP.

Any amounts received by the LLP which are not applied to pay a replacement Swap Provider(s) to enter into a replacement Swap Agreement(s) will be credited to the Revenue Ledger on the LLP Accounts and applied as Available Revenue Receipts on the next succeeding LLP Payment Date.

Application of monies received by the Security Trustee following the service of an LLP Acceleration Notice and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP

Under the terms of the Deed of Charge, all monies received or recovered by the Security Trustee (or a receiver appointed on its behalf) (excluding all amounts due or to become due in respect of any Non-LLP Amounts) following the enforcement of the Security, realisation of the Security and/or the commencement of winding-up proceedings against the LLP will be applied in the following order of priority (the "**Post-Enforcement Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

(a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of all amounts due and payable or to become due and payable to:

  (i) the Bond Trustee under or in connection with the Transaction Documents together with interest and applicable VAT (or other similar taxes) thereon as provided therein; and

  (ii) the Security Trustee and any receiver appointed by the Security Trustee under or in connection with the Transaction Documents together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein;

(b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) all amounts due and payable to the Agents under or pursuant to the Agency Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and

(ii) amounts (including costs and expenses) due to the Corporate Services Provider pursuant to the terms of the Corporate Services Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts in thereof of:

(i) any remuneration then due and payable to the Administrator and any costs, charges, liabilities and expenses then due or to become due and payable to the Administrator under the provisions of the Administration Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(ii) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager under the provisions of the Cash Management Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and

(iii) amounts due to the Account Bank, the Issuer Account Bank and the Swap Collateral Account Bank (including costs) pursuant to the terms of the Bank Account Agreement, the Issuer Bank Account Agreement or the Swap Collateral Account Bank Agreement, as applicable, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(d) *fourth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) all amounts due and payable to an Interest Rate Swap Provider (including any termination payment (but excluding any Excluded Swap Termination Amounts)) pursuant to the terms of the Interest Rate Swap Agreement to which it is a party;

(ii) all amounts due and payable:

(A) to the relevant Covered Bond Swap Provider *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds (including any termination payment due and payable by the LLP under the relevant Covered Bond Swap Agreement (but excluding any Excluded Swap Termination Amount)) in accordance with the terms of the relevant Covered Bond Swap Agreement; and

(B) under the Covered Bond Guarantee, to the Bond Trustee on behalf of the Covered Bondholders *pro rata* and *pari passu* in respect of interest and principal due and payable on each Series of Covered Bonds,

provided that if the amount available for distribution under this item (d)(ii) (excluding any amounts received from any Covered Bond Swap Provider in respect of amounts referred to in (A) above) would be insufficient to pay the Sterling Equivalent of the amounts due and payable under the Covered Bond Guarantee in respect of each Series of Covered Bonds under (B) above, the shortfall shall be divided amongst all such Series of Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider in respect of each relevant Series of Covered Bonds under (A) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

(e) *fifth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof, of any Excluded Swap Termination Amounts due and payable by the LLP to the relevant Swap Provider under the relevant Swap Agreement;

(f) *sixth*, after the Covered Bonds have been fully repaid, any remaining monies shall be applied in or towards repayment in full of all amounts outstanding under the Intercompany Loan Agreement;

(g) *seventh*, towards payment of any indemnity amount due to the Members pursuant to the LLP Deed; and

(h) *eighth*, thereafter any remaining monies shall be applied in or towards payment to the Members pursuant to the LLP Deed.

Pursuant to Regulation 14 of the RCB Regulations, the above Post-Enforcement Priority of Payments is subject to the provisions of Regulations 28 and 29 of the RCB Regulations. In particular, costs properly incurred by an administrator, administrative receiver, a receiver, liquidator, provisional liquidator or manager of the LLP in relation to:

(i) persons providing services for the benefit of Covered Bondholders (which pursuant to the RCB Regulations shall include the persons listed in item (a) of the Post-Enforcement Priority of Payments (excluding the Swap Providers));

(ii) the Swap Providers in respect of amounts due to them under item (a) of the Post-Enforcement Priority of Payments; and

(iii) any other persons providing a loan to the LLP to enable it to meet the claims of Covered Bondholders or the costs of the people described in items (a) and (b) of the Post-Enforcement Priority of Payments (e.g. liquidity loans),

will be expenses which will be payable out of the proceeds of realisation of the Security (in the case of a receivership) or the assets of the LLP (in the case of an administration, winding-up or provisional liquidation), and shall rank equally among themselves in priority to all other expenses (including the claims of Covered Bondholders). See further, "*Risk Factors – Expenses of insolvency officeholders*".

THE MORTGAGE PORTFOLIO

The "**Mortgage Portfolio**" comprises the Initial Mortgage Portfolio and any New Mortgage Loans added to the Mortgage Portfolio from time to time in accordance with the terms of the Mortgage Sale Agreement, as more fully described under "*Summary of the Principal Documents – Mortgage Sale Agreement*".

The Seller with full title guarantee and, in relation to any Scottish Mortgage Loans, with absolute warrandice, shall assign to the LLP:

(a) (subject to the subsisting rights of redemption of Borrowers) all right, title, interest and benefit of the Seller (both present and future) in, to and under the relevant Mortgage Loans and their Related Security including for the avoidance of doubt as at the relevant Transfer Date:

  (i) all sums of principal, interest or any other sum payable under such Mortgage Loans on or after or in respect of any period on or after the relevant Transfer Date, all sums of interest and other sums payable (but not paid before the relevant Transfer Date), in respect of any period before the relevant Transfer Date and the right to demand, sue for, recover, receive and give receipts for all such sums;

  (ii) the benefit of all securities for such principal monies and interest and other sums payable, the benefit of all consents to mortgage signed by occupiers of the Mortgaged Properties, the benefit of all rights under MHA/CP Documentation and the benefit of and the right to sue on all covenants and undertakings in favour of the Seller in each such Mortgage Loan and any Guarantee in respect of such Mortgage Loan and the right to exercise all powers of the Seller in relation to each such Mortgage Loan;

  (iii) all the estate and interest in the Mortgaged Properties in favour of the Seller subject to redemption or cesser;

  (iv) to the extent that they are assignable all causes and rights of action in favour of the Seller against any person in connection with any report, valuation, opinion, certificate, consent or other statement of fact or opinion given in connection with any such Mortgage Loans or received by the Seller in connection with the origination of any Mortgage Loan;

  (v) all arrears payable under the Mortgage Loans; and

  (vi) all proceeds from the enforcement of the Mortgage Loans and the Related Security; and

(b) all right, title, interest and benefit in favour of the Seller (both present and future) in the Insurance Contracts (including the right to receive the proceeds of any claims) in so far as they relate to such Mortgage Loans.

For the purposes hereof:

"**Initial Mortgage Portfolio**" means the portfolio of Mortgage Loans and their Related Security, particulars of which were delivered on the First Transfer Date pursuant to the Mortgage Sale Agreement (other than any mortgage loans and their Related Security which have been redeemed in full prior to the First Transfer Date or which did not otherwise comply with the terms of the original Mortgage Sale Agreement as at the First Transfer Date) and beneficially assigned to the LLP on the First Transfer Date.

"**New Mortgage Loans**" means Mortgage Loans, other than the Mortgage Loans comprised in the Initial Mortgage Portfolio, which the Seller may assign or transfer to the LLP after the First Transfer Date pursuant to the Mortgage Sale Agreement.

See also the following risk factors: "*Risk Factors – Risk Factors relating to the Cover Pool – Limited description of the Mortgage Portfolio" and* "*Risk Factors – Risk Factors relating to the Cover Pool – Maintenance of Mortgage Portfolio*."

Product Types

The Mortgage Loans in the Mortgage Portfolio fall into the categories described below.

(a) **Fixed Rate and Everyday Fixed Rate Mortgage Loans**: Mortgage Loans subject to a fixed interest rate for a specified period of time and at the expiration of that period are generally subject to the Seller's standard variable rate. Everyday Fixed Rate Mortgage Loans additionally give the borrower the ability to make overpayments of up to 10 per cent. of the outstanding mortgage balance per calendar year without incurring an early repayment charge and the borrower can also apply for a payment holiday (one-month payment holiday for every nine consecutive full monthly payments made. The maximum payment holiday period is three months, which can be applied for following the completion of 27 consecutive full monthly payments). Borrow-backs and underpayments are not permitted.

(b) **Standard Variable Rate Mortgage Loans**: Mortgage Loans subject to the Seller's standard variable rate.

(c) **Discount Rate Mortgage Loans**: Mortgage Loans which allow the Borrower to pay interest at a specified discount to the Seller's standard variable rate for a specified period of time up to the life of the mortgage loan.

(d) **Flexible Tracker Rate Mortgage Loans**: Mortgage Loans which are subject to a variable rate of interest that is currently linked to the BoE base rate plus an additional fixed percentage. This mortgage loan gives the Borrower a range of flexible features including the ability to make unlimited overpayments without incurring an early repayment charge. Subject to agreement the Borrower can also borrow back amounts previously overpaid, use previous overpayments to fund underpayments and/or apply for a payment holiday (see Fixed Rate and Everyday Fixed Rate Mortgage loans for payment holiday rules).

(e) **Everyday Tracker Mortgage Loans**: Mortgage Loans which are subject to a variable rate of interest that is currently linked to the BoE base rate plus an additional fixed percentage. This mortgage loan gives the Borrower the ability to make over payments of up to 10 per cent. of the outstanding mortgage balance per calendar year without incurring an early repayment charge. The Borrower can also apply for a payment holiday (see Fixed Rate and Everyday Fixed Rate Mortgage loans for payment holiday rules). Borrow-backs and underpayments are not permitted.

Repayment Terms

Loans are typically repayable on one or a combination of both of the following bases:

(a) **repayment**: the borrower makes monthly payments of both interest and principal so that, when the loan matures, the full amount of the principal of the loan will have been repaid; and

(b) **interest-only**: the borrower makes monthly payments of interest but not of principal; when the loan matures, the entire principal amount of the loan is still outstanding and is payable typically but not necessarily in one lump sum (such Mortgage Loans, "**Interest-Only Mortgage Loans**").

The required monthly payment in connection with repayment Mortgage Loans or Interest-Only Mortgage Loans may vary from month to month for various reasons, including changes in interest rates.

The Seller does not (and in some cases cannot) take security over repayment plans.

Flexible Mortgage Loans

Most of the Mortgage Loans included in the Mortgage Portfolio give the borrower greater flexibility in the timing and amount of payments under each loan, offering certain of the flexible features described below.

(a) **Overpayments**: borrowers may either increase their regular monthly payments above the normal monthly payment then applicable or make lump sum payments at any time subject to payment of early repayment charges where appropriate.

(b) **Underpayments**: where borrowers have previously overpaid, they may reduce their monthly payments below the amount of the applicable monthly payment or make an irregular underpayment. Borrowers are not permitted to make underpayments that exceed the total of previous overpayments less the total of previous underpayments. Any underpayment made by a Borrower (i) which cannot be funded by prior overpayments and (ii) where the Borrower is not entitled to a payment holiday (an "**Unauthorised Underpayment**") will be treated by the Seller as arrears.

(c) **Payment Holidays**: A Borrower that has made nine consecutive scheduled monthly payments (or an equivalent sum of payments) on its Mortgage Loan may apply for a one month payment holiday even if that Borrower has not made prior overpayments. A Borrower may apply for this payment holiday facility once in each rolling nine month period and may accumulate the right to take up to a maximum of three monthly payment holidays in any one calendar year if the Borrower has not used the payment holiday facility in a given 27-month period. In addition, a Borrower may apply for a payment holiday of up to six months in certain limited cases (generally, where the Borrower can demonstrate an extenuating circumstance). Any payment holiday will be funded solely by the Seller.

(d) **Cash Borrow-backs**: A Borrower may request a "**Cash Borrow-back**" of overpayments that the Borrower has made on its Mortgage Loan by requesting that the Seller refund some or all of such overpayments in cash, subject to certain conditions. Any Cash Borrow-backs will be funded solely by the Seller.

Under the mortgage conditions, a Borrower must receive permission from the Seller to make an Authorised Underpayment or take a payment holiday on a Mortgage Loan.

The Seller retains the discretion whether to provide a further advance or grant a Cash Borrow-back to a Borrower on a Mortgage Loan, and also maintains discretion in some cases to grant a payment holiday to a Borrower, depending on the facts associated with the Borrower's request.

Offset Mortgage Loans

An Offset Mortgage Loan allows the relevant Borrower to link the relevant Mortgage Loan with certain deposit and/or current accounts that are held with the relevant Originator. If a Borrower elects to take an Offset Mortgage Loan, the interest due from the Borrower on the Offset Mortgage Loan will be calculated (on a daily basis throughout the relevant period) on the difference between the total of the daily outstanding balance (being the outstanding principal balance of the Offset Mortgage Loan plus any capitalised arrears) on the Offset Mortgage Loan and the daily balances of amounts held in the linked deposit/current accounts held with the relevant Originator. For the avoidance of doubt, the deposit and/or current accounts which are linked to an Offset Mortgage Loan will not form part of the Mortgage Loan or its Related Security.

The terms of Offset Mortgage Loans also permit Borrowers to make small annual increases in the amount of their repayments, thereby further accelerating the pace at which the Mortgage Loan is repaid. Despite the foregoing, the Borrower is nevertheless obligated to make his Mortgage Payment of principal (if any) and interest in full.

The connection between a Borrower's Mortgage Loan and any linked account or accounts of the Borrower may be ended by the relevant Originator giving the Borrower 30 days' notice in writing at any time.

As at the date of this Prospectus, Offset Mortgage Loans are not permitted to be included in the Mortgage Portfolio, however they may be included as a New Mortgage Loan Type subject to satisfaction of the conditions relating to New Mortgage Loan Types.

Credit Underwriting and Debt Management

Introduction

The following is a description of some of the characteristics of the HVM Originator's underwriting processes and lending criteria, and the debt management processes of Virgin Money. Mortgage loans originated by the NRAM Originator followed similar underwriting processes and lending criteria (including the discretion to lend outside its lending criteria (described below)). As at the date of this Prospectus the Mortgage Portfolio includes Mortgage Loans originated by the NRAM Originator and the HVM Originator and transferred to Virgin Money by the Part VII Transfer as well as Mortgage Loans originated by Virgin Money following the Part VII Effective Date. In addition, following the Part VII Effective Date (subject to the provisions of the Mortgage Sale Agreement relating to the inclusion of New Mortgage Loan Types in the Mortgage Portfolio), the Mortgage Portfolio may also comprise Mortgage Loans originated by another Virgin Money Originator. The Virgin Money Originators also follow similar underwriting processes and lending criteria. Each Virgin Money Originator reserves the right to amend its underwriting process, lending criteria and debt management processes from time to time.

Underwriting

The decision to offer a mortgage loan to a potential borrower was made by one of the HVM Originator's underwriters and/or mandate holders located in its mortgage service centres, in Gosforth or another location, who may have liaised with the intermediaries. Each underwriter and/or mandate holder was required to pass the HVM Originator's formal training programme to gain the authority to approve mortgage loans. Mandates were awarded in line with the HVM Originator's documented and approved allocation procedures and the HVM Originator established various levels of authority for its underwriters who approved mortgage loan applications. The levels were related to system rules which are differentiated by, among other things, degree of risk, value of the property, amount of the mortgage loan and LTV ratio in the relevant application. The HVM Originator monitored the quality of underwriting decisions on a regular basis.

Lending Criteria

To obtain a mortgage loan, each borrower must have completed an application form which included information about the applicant's income, current employment details, current mortgage information, if any, and certain other personal information, including known and future changes to credit commitments and household expenditure of the borrower(s).

The general approval process uses credit acceptance scorecards and involved a review of an applicant's previous credit history using information held by credit reference agencies. The Originator assessed the borrower's expenditure and affordability under stressed scenarios including increased interest rates. In addition, the Originator had in place limits on permitted indebtedness which took into account the debt customers held with other lenders.

The Originator rejected any application for a product where a customer was registered as bankrupt or insolvent, or had a materially impaired credit history. In addition, the Originator's approach to underwriting applications and assessing customer affordability took into account the total unsecured debt held by a customer and their ability to afford the mortgage loan in addition to repaying the existing debt.

The Originator's lending policy had maximum percentage LTV limits which depended upon the loan purpose, loan type, repayment term and loan size.

On a case-by-case basis, and within approved limits as detailed in the Originator's lending policy from time to time, the Originator may have determined that, based upon compensating factors, a prospective borrower that did not strictly qualify under its lending criteria at that time warranted an underwriting exception. The Originator may have taken into account compensating factors including, but not limited to, a low LTV ratio, stable employment, lending track record, affordability, utilisation and other factors appropriate to the exception required.

Debt Management and Forbearance

Virgin Money provides a number of arrangements to assist borrowers who are experiencing financial difficulty. These include, but are not limited to, the following:

- Payment Arrangements: A temporary arrangement for customers in financial difficulty where arrears may accrue while the contractual payment amount remains unchanged; for example, short-term arrangements to pay less than the contractual payment or short-term arrangements to pay more to clear arrears;

- Transfers to Interest Only: An account change (which may be temporary or permanent) to assist customers through periods of financial difficulty where arrears do not accrue at the original contractual payment amount. Instead, any arrears of capital repayment existing at the commencement of the arrangement remain outstanding;

- Term Extensions: A permanent account change for customers in financial distress where the overall term of the mortgage is extended, resulting in a lower contractual monthly payment;

- Discretionary Payment Holidays: A temporary account change to assist customers through periods of financial difficulty where arrears do not accrue on the original contractual payment amount; and

- Additional specific solutions tailored to the customer's specific circumstances: Specific support may include in-person field agent visits, allowing time to sell a property, assistance with the sale process or granting of voluntary possession.

Virgin Money's aim in offering forbearance and other assistance to retail customers in financial distress is to benefit both the customer and Virgin Money by discharging Virgin Money's responsibilities to support customers and act in their best long-term interests. This allows customer credit facilities to be brought back to a sustainable position. Virgin Money offers a range of tools and assistance to support customers who are encountering financial difficulties. Cases are managed on an individual basis, with the circumstances of each customer considered separately and the action taken designed to be affordable and sustainable for the customer.

Customers are assisted by Virgin Money's Financial Care Team, where tailored repayment programmes can be agreed. Customers are actively supported and referred to free money advice agencies in instances where they have multiple credit facilities, including those at other lenders, which require restructuring.

Specific tools are available to assist customers which vary by product and the customer's status.

Income and expenditure assessments are undertaken for all customers entering into a long-term repayment plan. This ensures that customers are provided with a sustainable and affordable solution that allows them a realistic opportunity to repay their debt. In addition, Virgin Money will advise customers to contact debt advice companies such as Citizens Advice Bureau, StepChange and PayPlan. These companies do not charge any fees and will offer free, impartial debt advice to customers as well as work with creditors to agree affordable repayment plans. Understanding what has changed and establishing the customers' current and future financial situation is imperative to ensuring that the right level of support is offered and that customers receive the appropriate solution to help them manage their debt when in financial difficulty.

DESCRIPTION OF THE UK REGULATED COVERED BOND REGIME

The RCB Regulations and the corresponding implementation provisions, set out in the Regulated Covered Bonds Sourcebook published under the FSMA (the "**RCB Sourcebook**"), came into force in the United Kingdom on 6 March 2008. In summary, the RCB Regulations implement a legislative framework for UK covered bonds.

Supervision and registration

The FCA performs certain supervision and enforcement related tasks in respect of the regime, including admitting issuers and covered bonds to the relevant registers and monitoring compliance with ongoing requirements. To assist it with these tasks, the FCA has certain powers under the RCB Regulations. In particular, in certain circumstances the FCA may direct the winding-up of an owner, remove an issuer from the register of issuers and/or impose a financial penalty of such amount as it considers appropriate in respect of an issuer or owner and direct an issuer to publish information given to the FCA under the RCB Regulations. Moreover, as a body which regulates the financial services industry in the United Kingdom, the FCA may take certain actions in respect of issuers using its general powers under the UK regulatory regime (including restricting an issuer's ability to transfer further assets to the asset pool).

The Issuer was admitted to the register of issuers and the Programme was admitted to the register of regulated covered bonds under the RCB Regulations on 19 July 2017.

Requirements under the legislative framework

The RCB Regulations and the RCB Sourcebook include various requirements related to registered issuers, asset pool owners, pool assets and the contractual arrangements made in respect of such assets. In this regard, issuers and owners have various initial and ongoing obligations under the RCB Regulations and the RCB Sourcebook and are responsible for ensuring they comply with them. In particular, issuers are required to (amongst other things) enter into arrangements with the owner for the maintenance and administration of the asset pool such that certain asset record-keeping obligations and asset capability and quality related requirements are met and notify the FCA of various matters (including any regulated covered bonds it issues, the assets in the asset pool, matters related to its compliance with certain regulations and any proposed material changes). Owners are required to (amongst other things) notify the FCA of various matters (including any proposed transfer of ownership of the asset pool) and, on insolvency of the issuer, make arrangements for the maintenance and administration of the asset pool (similar to the issuer obligations described above).

The UK authorities undertook reviews of the UK legislative framework in 2011 and 2012 and certain changes were made to the regime with the intention of enhancing the attractiveness of UK regulated covered bonds to investors. These changes took effect from 1 January 2013 and include the following:

1. *Single asset pool designation* – issuers are required to designate their programme as being a single asset pool (consisting of either class one assets – public sector debt, class two assets – residential mortgage loans or class three assets – commercial loans and, in each case, liquid assets) or a mixed asset pool (consisting of all eligible property for the purposes of the RCB Regulations). The Issuer has provided the necessary certifications for the Programme to be registered as a single asset pool programme, falling in class two. As a result, the asset pool will consist solely of residential mortgage loans and certain liquid assets, being UK Government securities and cash deposits, all of which comply with section 2 of the RCB Regulations. In keeping with the requirements under the RCB Regulations, the asset pool will not include any asset-backed securities.

2. *Fixed minimum over-collateralisation requirement for principal and fixed minimum coverage requirement for interest* – the total principal amount outstanding on the loans constituting eligible property in the asset pool is required to be more than the total principal amounts outstanding in relation to the regulated covered bonds by at least 8 per cent. and a minimum threshold applies in respect of interest amounts such that the total amount of interest payable in the period of twelve (12) months following any given date in respect of the eligible property in the asset pool is required to be not less than the interest which would be payable in relation to the regulated covered bonds in that period. For the purposes of calculating each of these tests, the issuer can take into account certain liquid assets up to a maximum of 8 per cent. of those covered bonds that have a maturity date of one year or more and 100 per cent. of those covered bonds that have a maturity date of less than one year.

3. *Investor reporting, including loan-level data* – issuers are required to make available detailed loan-level information relating to the asset pool following an issuance of regulated covered bonds. Issuers are also

required to publish certain transaction documents relating to the programme. The information to be published by the Issuer can be accessed from https://www.virginmoneyukplc.com/investor-relations/. The information set out in the website and the contents thereof do not form part of this Prospectus.

4. *Asset pool monitor role* – an asset pool monitor is required, on an annual basis, to inspect and assess the issuer's compliance with certain principles based requirements under the regime and to report on their findings to the FCA (with additional reporting requirements in the case of issuer non-compliance). The Issuer has appointed an asset pool monitor for the purposes of the RCB Regulations.

See also "*Risk Factors – UK regulated covered bond regime*" and "*Risk Factors – Expenses of insolvency officeholders*".

DESCRIPTION OF LIMITED LIABILITY PARTNERSHIPS

Since 6 April 2001 it has been possible to incorporate a limited liability partnership in England, Wales and Scotland under the Limited Liability Partnership Act 2000 (the "**LLPA 2000**"). Limited liability partnerships are legal entities that provide limited liability to the members of a limited liability partnership combined with the benefits of the flexibility afforded to partnerships and the legal personality afforded to companies.

Corporate characteristics

A limited liability partnership is more like a company than a partnership. A limited liability partnership is a body corporate with its own property and liabilities, separate from its members. Like shareholders in a limited company, the liability of the members of a limited liability partnership is limited to the amount of their capital because it is a separate legal entity and when the members decide to enter into a contract, they bind the limited liability partnership in the same way that directors bind a company. Members may be liable for their own negligence and other torts or delicts, like company directors, if they have assumed a personal duty of care and have acted in breach of that duty. Third parties can assume that members, like company directors, are authorised to act on behalf of the limited liability partnership.

The provisions of the Companies Act 2006 and the Insolvency Act 1986 (as applicable) have been modified by the Limited Liability Partnerships Regulations 2009 and the Limited Liability Partnerships Regulations 2001 (both as amended from time to time) so as to apply most of the insolvency and winding-up procedures for companies equally to a limited liability partnership and its members. As a distinct legal entity, a limited liability partnership can grant fixed and floating security over its assets and a limited liability partnership will survive the insolvency of any of its members. An administrator or liquidator of an insolvent member would be subject to the terms of the members' agreement relating to the limited liability partnership but a liquidator of an insolvent member may not take part in the administration of the limited liability partnership or its business.

Limited liability partnerships must file annual returns and audited annual accounts at Companies House for each financial year in the same way as companies.

Partnership characteristics

A limited liability partnership retains certain characteristics of a partnership. It has no share capital and there are no capital maintenance requirements. The members are free to agree how to share profits, who is responsible for management and how decisions are made, when and how new members are appointed and the circumstances in which its members retire. The members' agreement is a private document and there is no obligation to file it at Companies House.

Taxation

A limited liability partnership which carries on a trade or business with a view to profit (and which is not the subject of certain insolvency proceedings) is, generally speaking, treated as a partnership for corporation tax purposes. As such, the members of a limited liability partnership, and not the limited liability partnership itself, are subject to corporation tax in relation to the business of the limited liability partnership in broadly the same way that the members of a partnership are subject to corporation tax in relation to the business of that partnership.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer and the LLP believe to be reliable, but none of the Issuer, the LLP, the Bond Trustee nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the LLP nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Covered Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds and provides asset servicing for securities that its participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerised book-entry transfers and pledges between Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has Standard & Poor's highest rating: AAA. The DTC rules applicable to its Direct Participants or Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of DTC Covered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Covered Bonds on DTC's records. The ownership interest of each actual purchaser of each Covered Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct Participant's and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Covered Bonds are to be accomplished by entries made on the books of participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Covered Bonds, except in the event that use of the book-entry system for the DTC Covered Bonds is discontinued.

To facilitate subsequent transfers, all DTC Covered Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other nominee as may be requested by an authorised representative of DTC. The deposit of DTC Covered Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Covered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Covered Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Covered Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to DTC Covered Bonds unless authorised by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy to the Issuer as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Covered Bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal and interest payments on the DTC Covered Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or the Principal Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such participant and not of DTC or its nominee, the Principal Paying Agent or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorised representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

Under certain circumstances, DTC will exchange the DTC Covered Bonds for Registered Definitive Covered Bonds, which it will distribute to its participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Covered Bond, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Beneficial Owner desiring to pledge DTC Covered Bonds to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Covered Bonds, will be required to withdraw its Registered Covered Bonds from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book-entry Ownership of and Payments in respect of DTC Covered Bonds

The Issuer may apply to DTC in order to have any Tranche of Covered Bonds represented by a Registered Global Covered Bond accepted in its book-entry settlement system. Upon the issue of any such Registered Global Covered Bond, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Covered Bond to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Covered Bond will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Covered Bond, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Covered Bond accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Covered Bond accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Covered Bond.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by participants to beneficial owners of Covered Bonds will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such participant and not the responsibility of DTC, the Bond Trustee, the Security Trustee, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Covered Bonds to DTC is the responsibility of the Issuer.

Transfers of Covered Bonds Represented by Registered Global Covered Bonds

Transfers of any interests in Covered Bonds represented by a Registered Global Covered Bond within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Covered Bonds represented by a Registered Global Covered Bond to such persons may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Covered Bonds represented by a Registered Global Covered Bond accepted by DTC to pledge such Covered Bonds to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Covered Bonds may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form. The ability of any holder of Covered Bonds represented by a Registered Global Covered Bond accepted by DTC to resell, pledge or otherwise transfer such Covered Bonds may be impaired if the proposed transferee of such Covered Bonds is not eligible to hold such Covered Bonds through a Direct Participant or Indirect Participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Covered Bonds described under "*Subscription and Sale and Transfer and Selling Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian ("**Custodian**") with whom the relevant Registered Global Covered Bonds have been deposited.

On or after the Issue Date for any Series, transfers of Covered Bonds of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Covered Bonds of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Covered Bonds will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Covered Bonds among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Bond Trustee, the Security Trustee, the Issuer, the LLP, the Agents, the Arrangers or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Covered Bonds represented by Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

The following is a general description of certain tax considerations relating to the Covered Bonds. It does not purport to be a complete analysis of all tax considerations relating to the Covered Bonds. Prospective purchasers of Covered Bonds should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Covered Bonds and receiving payments of interest, principal and/or other amounts under the Covered Bonds and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

UNITED KINGDOM TAXATION

*The following is a summary of the Issuer's understanding of current United Kingdom law and published His Majesty's Revenue & Customs ("**HMRC**") practice, relating only to United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) by the Issuer in respect of Covered Bonds and payments by the LLP in respect of Covered Bonds, which may be subject to change, sometimes with retrospective effect, and (in the case of HMRC practice) may not be binding on HMRC. The comments do not deal with other United Kingdom tax implications of acquiring, holding or disposing of Covered Bonds. They do not necessarily apply where the income is deemed for tax purposes to be income of another person. The comments relate only to the position of persons who are absolute beneficial owners of the Covered Bonds and may not apply to certain classes of persons, such as dealers. Prospective Covered Bondholders should be aware that the particular terms of issue of any series of Covered Bonds as specified in the relevant Final Terms may affect the tax treatment of that and other series of Covered Bonds. The following is a general guide and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that might be relevant to a prospective purchaser. The United Kingdom tax treatment of prospective holders of Covered Bonds depends on their individual circumstances and may be subject to change in the future. Prospective holders of Covered Bonds who may be subject to taxation in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice. In particular, Covered Bondholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Covered Bonds even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom. The comments below do not deal with the tax consequences of any substitution of the Issuer in accordance with Condition 15(c) (Substitution of the Issuer) of the Covered Bonds.*

United Kingdom Withholding Tax on United Kingdom Source Interest

1. Any Covered Bonds issued by the Issuer which carry a right to interest will constitute "quoted Eurobonds" provided they either are and continue to be listed on a recognised stock exchange (within the meaning of section 1005 of the Income Tax Act 2007 (the "**Act**") for the purposes of section 987 of the Act) or admitted to trading on a multilateral trading facility operated by a regulated recognised stock exchange (within the meaning of section 987 of the Act). Whilst the Covered Bonds are and continue to be quoted Eurobonds, payments of interest by the Issuer on the Covered Bonds may be made without withholding or deduction for or on account of United Kingdom income tax.

   The London Stock Exchange is a recognised stock exchange for these purposes, and accordingly the Covered Bonds will constitute quoted Eurobonds provided they are and continue to be included in the FCA's official list and admitted to trading on the Main Market of the London Stock Exchange.

2. In addition to the exemption set out above, interest on Covered Bonds issued by the Issuer may be paid without withholding or deduction for or on account of United Kingdom income tax provided that the Issuer is and continues to be a "bank" within the meaning of section 991 of the Act and the interest on the Covered Bonds is paid in the ordinary course of its business within the meaning of section 878 of the Act.

3. In all cases falling outside the exemptions described above, interest on the Covered Bonds may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to such other relief or exemption as may be available. However, such withholding or deduction will not apply if the relevant interest is paid on Covered Bonds with a maturity of less than one year from the date of issue and which are not issued under an arrangement the effect or intention of which is to render such Covered Bonds part of a borrowing with a total term of a year or more.

Other Rules Relating to United Kingdom Withholding Tax

Covered Bonds may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element of such Covered Bonds will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above.

Where Covered Bonds are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax as outlined above.

Where interest has been paid under deduction of United Kingdom income tax, Holders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Covered Bonds or any related documentation. Where a payment on a Covered Bond does not constitute (or is not treated as) interest for United Kingdom tax purposes, and the payment has a United Kingdom source, it would potentially be subject to United Kingdom withholding tax if, for example, it constitutes (or is treated as) an annual payment or a manufactured payment for United Kingdom tax purposes (which will be determined by, amongst other things, the terms and conditions specified by the Final Terms of the Covered Bond). In such a case, the payment may fall to be made under deduction of United Kingdom tax (the rate of withholding depending on the nature of the payment), subject to such relief or exemption as may be available.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer as principal debtor pursuant to Condition 15(c) (*Substitution of the Issuer*) or otherwise and does not consider the tax consequences of any such substitution.

Payments by the LLP

The United Kingdom withholding tax treatment of payments by the LLP under the terms of the Covered Bond Guarantee which have a United Kingdom source is uncertain. In particular, such payments by the LLP may not be eligible for the exemptions described above in relation to payments of interest. Accordingly, if the LLP makes any such payments, these may be subject to United Kingdom withholding tax at the basic rate. If payments by the LLP are subject to any withholding or deduction for or on account of tax, the LLP will not be required to pay any additional amounts.

FOREIGN ACCOUNT TAX COMPLIANCE ACT

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as "**FATCA**", a "foreign financial institution" (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements.

A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of FATCA provisions and IGAs to instruments such as Covered Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Covered Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Covered Bonds issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Covered Bonds (as described under "*Terms and Conditions of the Covered Bonds – Further Issues*" that are not distinguishable from previously issued Covered Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all

Covered Bonds, including the Covered Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA.

Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Covered Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Covered Bonds, no person will be required to pay additional amounts as a result of the withholding.

FATCA is particularly complex and its application is uncertain. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or which may be implemented in a materially different form. Prospective Holders should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Covered Bonds.

CERTAIN UNITED STATES REGULATORY CONSIDERATIONS

ERISA

Unless otherwise specified in the applicable Final Terms, the Covered Bonds may not be acquired by, or on behalf of, a "Benefit Plan Investor" or a governmental, church or non-U.S. plan which is subject to U.S. federal, state, local or non-U.S. laws or regulations which are substantially similar to the prohibited transaction provisions of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") or Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"). A "**Benefit Plan Investor**" is defined as (i) an employee benefit plan as defined in Section 3(3) of ERISA, which is subject to Title I of ERISA, (ii) a plan described in and subject to Section 4975 of the Code, or (iii) an entity whose underlying assets include plan assets by reason of any such employee benefit plan's or plan's investment in the entity under U.S. Department of Labor Regulations § 2510.3-101 (29 C.F.R. § 2510.3-101) as modified by Section 3(42) of ERISA. Each investor will be required to represent that it is not, and is not using the assets of, a Benefit Plan Investor or such governmental, church or non-U.S. plan.

INVESTMENT COMPANY ACT

The LLP is not now, and solely after giving effect to any offering and sale of Covered Bonds pursuant to the Trust Deed will not be, a "covered fund" for purposes of regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended, commonly known as the "Volcker Rule". In reaching this conclusion, although other statutory or regulatory exemptions under the Investment Company Act of 1940, as amended ("**Investment Company Act**"), and under the Volcker Rule and its related regulations may be available, the Issuer has relied on the determinations that the LLP may rely on the exemption from registration under the Investment Company Act provided by Section 3(c)(5)(C) thereunder. Accordingly, the LLP may rely on the exemption from the definition of a "covered fund" under the Volcker Rule made available to entities that do not rely solely on Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act for their exemption from registration under the Investment Company Act.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

Covered Bonds may be sold from time to time by the Issuer to any one or more of BNP Paribas and HSBC Bank plc and any other dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Covered Bonds (the "**Dealers**"). The arrangements under which Covered Bonds may from time to time be agreed to be sold by the Issuer to, and subscribed by, Dealers are set out in a Dealer Agreement originally dated 4 April 2018, as amended and/or supplemented and/or restated from time to time (the "**Dealer Agreement**") and made between the Issuer and the Dealers. If in the case of any Tranche of Covered Bonds the method of distribution is an agreement between the Issuer and a single Dealer for that Tranche to be issued by such Issuer and subscribed by that Dealer, the method of distribution will be described in the relevant Final Terms as "Non-Syndicated" and the name of that Dealer and any other interest of that Dealer which is material to the issue of that Tranche beyond the fact of the appointment of that Dealer will be set out in the relevant Final Terms. If in the case of any Tranche of Covered Bonds the method of distribution is an agreement between the Issuer and more than one Dealer for that Tranche to be issued by such Issuer and subscribed by those Dealers, the method of distribution will be described in the relevant Final Terms as "Syndicated" and the names of those Dealers and any other interests of any of those Dealers which are material to the issue of that Tranche beyond the fact of the appointment of those Dealers (including whether any of those Dealers has also been appointed to act as Stabilising Manager in relation to that Tranche) will be set out in the relevant Final Terms.

Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Covered Bonds, the price at which such Covered Bonds will be subscribed by the Dealer(s) and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such subscription. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Covered Bonds.

Transfer Restrictions

As a result of the following restrictions, purchasers of Covered Bonds in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Covered Bonds.

Each purchaser of Registered Covered Bonds (other than a person purchasing an interest in a Registered Global Covered Bond with a view to holding it in the form of an interest in the same Global Covered Bond) or person wishing to transfer an interest from one Registered Global Covered Bond to another or from global to definitive form or *vice versa*, will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(i) that either: (a) it is a QIB, purchasing (or holding) the Covered Bonds for its own account or for the account of one or more QIBs and it is aware and each beneficial owner of such Covered Bond has been advised that any sale to it is being made in reliance on Rule 144A or (b) it is outside the United States and is not a U.S. person and it is not purchasing (or holding) the Covered Bonds for the account or benefit of a U.S. person;

(ii) that the Covered Bonds are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act or any applicable U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth in this section;

(iii) it agrees that neither the Issuer nor the LLP has any obligation to register the Covered Bonds or the Covered Bond Guarantee under the Securities Act;

(iv) that, unless it holds an interest in a Regulation S Global Covered Bond and either is a person located outside the United States or is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Covered Bonds or any beneficial interests in the Covered Bonds, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Covered Bonds, only (a) to the Issuer or any affiliate thereof, (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities

Act or (d) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;

(v) that it is not, and is not acting on behalf of, and for so long as it holds a Covered Bond (or any interest therein) will not be, and will not be acting on behalf of, (a) an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (b) a "plan" as defined in and subject to Section 4975 of the Code, (c) an entity whose underlying assets include the assets of any such employee benefit plan subject to ERISA or other plan subject to Section 4975 the Code, or (d) a governmental, church or non-U.S. plan which is subject to any U.S. federal, state, local or non-U.S. law or regulation that is substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code.

(vi) it will, and will require each subsequent holder to, notify any purchaser of the Covered Bonds from it of the resale restrictions referred to in paragraph (iv) above, if then applicable;

(vii) that Covered Bonds initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Covered Bonds, and that Covered Bonds initially offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Covered Bonds;

(viii) that the Covered Bonds represented by a Rule 144A Global Covered Bond and Definitive Rule 144A Covered Bonds, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY AND ANY GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A "**QUALIFIED INSTITUTIONAL BUYER**" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY (THE "**AGENCY AGREEMENT**") AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL

FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).

BY ITS ACQUISITION AND HOLDING OF THIS SECURITY (OR ANY INTEREST HEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT IT IS NOT, AND IS NOT ACTING ON BEHALF OF, AND FOR SO LONG AS IT HOLDS THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF, (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (**ERISA**) THAT IS SUBJECT TO TITLE I OF ERISA, (B) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE **CODE**), (C) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (D) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW OR REGULATION THAT IS SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE.

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A."

(ix) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Covered Bonds prior to the expiration of the distribution compliance period (defined as 40 days after the completion of the distribution of the Tranche of Covered Bonds of which such Covered Bonds are a part, as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the lead manager, in the case of a syndicated issue), it will do so only (a)(i) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (ii) to a QIB in compliance with Rule 144A and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Covered Bonds will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY AND ANY GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY (THE "**AGENCY AGREEMENT**") AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. UNTIL THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE COVERED BONDS OF THE TRANCHE OF WHICH THIS COVERED BOND FORMS PART, SALES MAY NOT BE MADE IN THE UNITED STATES OR TO U.S. PERSONS UNLESS MADE (I) PURSUANT TO RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (II) TO QUALIFIED INSTITUTIONAL BUYERS AS DEFINED IN, AND IN TRANSACTIONS PURSUANT TO, RULE 144A UNDER THE SECURITIES ACT.

BY ITS ACQUISITION AND HOLDING OF THIS SECURITY (OR ANY INTEREST HEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT IT IS NOT, AND IS NOT ACTING ON BEHALF OF, AND FOR SO LONG AS IT HOLDS THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF, (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (**ERISA**) THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE **CODE**), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW OR REGULATION THAT IS

SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE; and

(x) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Covered Bonds as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

No sale of Rule 144A Covered Bonds in the United States to any one purchaser will be for less than U.S.$200,000 (or the approximate equivalent in another Specified Currency) principal amount and no Rule 144A Covered Bond will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.$200,000 (or the approximate equivalent in another Specified Currency) principal amount of Registered Covered Bonds.

Dealers may arrange for the resale of Covered Bonds to QIBs pursuant to Rule 144A and each such purchaser of Covered Bonds is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Covered Bonds which may be purchased by a QIB pursuant to Rule 144A is U.S.$200,000 (or the approximate equivalent in another Specified Currency). To the extent that either the Issuer or the LLP is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the Issuer and the LLP have agreed to furnish to holders of Covered Bonds and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

Selling Restrictions

United States

Regulation S, Category 2, TEFRA D rules apply, unless TEFRA C rules are specified as applicable in the applicable Final Terms or unless TEFRA is not applicable. Sales to QIBs in reliance upon Rule 144A under the United States Securities Act of 1933, as amended (the "**Securities Act**") who agree to purchase for their own account and not with a view to distribution will be permitted, if so specified in the applicable Final Terms.

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that the Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act or the securities laws or "blue sky" laws of any state or other jurisdiction of the United States and Covered Bonds may not be offered, sold or delivered directly or indirectly within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or in transactions not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Covered Bonds in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will not offer, sell or deliver a Covered Bond in bearer form within the United States or to United States persons except as permitted by the Dealer Agreement. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and U.S. Treasury regulations promulgated thereunder.

In connection with any Regulation S Covered Bond, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver any such Regulation S Covered Bond within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time, or (ii) otherwise until 40 days after completion of the distribution of an identifiable tranche of which such Covered Bonds are a part as determined and certified to the Principal Paying Agent by such Dealer (or in the case of a sale of an identifiable tranche of Covered Bonds to or through more than one Dealer, by such Dealers with respect to the Covered Bonds of an identifiable tranche purchased by or through it, in which case the Principal Paying Agent shall notify each Dealer once all Dealers have so certified) only in accordance with Rule 903 on Regulation S under the Securities Act, Rule 144A or any other available exemption from registration under the Securities Act. Each Dealer has further agreed, and each further Dealer appointed

under the Programme will be required to agree, that at or prior to confirmation of a sale of Covered Bonds, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which it sells Covered Bonds during the distribution compliance period other than resales pursuant to Rule 144A relating thereto, a confirmation or other notice setting forth the restrictions on offers and sales of the Covered Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the later of the commencement of the offering and the Issue Date of any identifiable Tranche of Covered Bonds, an offer or sale of Covered Bonds within the United States by any dealer (whether or not participating in the offering of such Tranche of Covered Bonds) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Covered Bonds to QIBs pursuant to Rule 144A and each such purchaser of Covered Bonds is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Covered Bonds which may be purchased by a QIB pursuant to Rule 144A is U.S.$200,000 (or the approximate equivalent in another Specified Currency). To permit compliance with Rule 144A in connection with any resales or other transfers of Covered Bonds that are "restricted securities" within the meaning of the Securities Act, each of the Issuer and the LLP has undertaken in the Trust Deed to furnish, upon the request of a holder of such Covered Bonds or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Covered Bonds remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act and each of the Issuer and the LLP is neither a reporting company under Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

Each Dealer appointed under the Dealer Agreement will be required to represent and agree in respect of transactions under Rule 144A that it has not (and will not), nor has (nor will) any person acting on its behalf, (a) made offers or sales of any security, or solicited officers to buy, or otherwise negotiated in respect of, any security, under circumstances that would require the registration of the Covered Bonds under the Securities Act; or (b) engaged in any form of general solicitation or general advertising (within the meaning of Rule 502(c) under the Securities Act) in connection with any offer or sale of Covered Bonds in the United States.

United Kingdom

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(a) *No deposit-taking*: in relation to any Covered Bonds issued by the Issuer having a maturity of less than one year:

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

(ii) it has not offered or sold and will not offer or sell any Covered Bonds other than to persons:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Covered Bonds would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the LLP; and

(c) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the UK.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 as amended (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and

(b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

Prohibition of Sales to UK Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the UK. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

(i) a retail client as defined in point (8) of Article 2 Regulation (EU) No 2017/565 as amended and as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended, (the "**EUWA**"); or

(ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97 as amended, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as amended and as it forms part of UK domestic law by virtue of the EUWA ("**UK MiFIR**");

(b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

Republic of Italy

No offering of the Covered Bonds has been registered pursuant to Italian securities and banking legislation and, accordingly, no Covered Bonds may be offered, sold or delivered, nor may copies of the Prospectus or of any other document relating to the Covered Bonds be distributed, in the primary or secondary market in the Republic of Italy.

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended, the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Covered Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including

any corporation or other entity organised under the laws of Japan as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended)) or to others for re-offering or resale, directly or indirectly, in Japan or to any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Belgium

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Covered Bonds may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a "**Belgian Consumer**"), and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Covered Bonds, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Covered Bonds, directly or indirectly, to any Belgian Consumer.

Singapore

Each Dealer has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Covered Bonds or caused the Covered Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Covered Bonds or cause the Covered Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Covered Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Switzerland

In Switzerland, this Prospectus is not intended to constitute an offer or solicitation to purchase or invest in Covered Bonds. The Covered Bonds may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("**FinSA**") and no application has or will be made to admit the Covered Bonds to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Covered Bonds constitutes a prospectus pursuant to the FinSA, and neither this Prospectus nor any other offering or marketing material relating to the Covered Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

Australia

No prospectus or other disclosure document (as defined in the Australian Corporations Act) in relation to the Programme or any Covered Bonds has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission ("**ASIC**") or any other regulatory authority in Australia. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it:

(a) has not made or invited, and will not make or invite, directly or indirectly, an offer of any Covered Bonds for issue, sale or purchase in, to or from Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, this Prospectus, any supplement to this Prospectus or any other offering material or advertisement relating to the Programme or any Covered Bonds in Australia.

unless:

(a) the aggregate consideration payable by each offeree or invitee is a minimum of A$500,000 (or its equivalent in an alternative currency and, in either case, disregarding monies lent by the offeror or its associates) or the offer or invitation does not otherwise require disclosure to investors under Parts 6D.2 or 7.9 of the Australian Corporations Act;

(b) the offer or invitation is not made to a "retail client" as defined in section 761G of the Australian Corporations Act;

(c) such action complies with all applicable laws, regulations and directives in Australia (including, without limitation, the licensing requirements of Chapter 7 of the Australian Corporations Act); and

(d) such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

This Prospectus is not, under any circumstances, to be construed as an advertisement or public offering of any Covered Bonds in Australia.

In addition, each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will comply with the directive issued by the Australian Prudential Regulation Authority dated 21 March 2018 as contained in Banking exemption No. 1 of 2018 which requires all offers and transfers to be in parcels of not less than A$500,000 (or its equivalent in another currency) in aggregate principal amount. Banking exemption No. 1 of 2018 does not apply to offers and transfers which occur outside Australia.

Canada

No prospectus has been filed with any securities commission or similar regulatory authority in Canada in connection with the offer and sale of the Covered Bonds and the Covered Bonds will not be qualified for sale under the securities laws of Canada or any province or territory thereof. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgement on this Prospectus or on the merits of the Covered Bonds, and any representation to the contrary is an offense. The offer and sale of Covered Bonds in Canada is being made on a private placement basis only pursuant to an exemption from the requirement that the relevant Issuer prepares and files a prospectus under applicable Canadian securities laws.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or distributed, and will not offer, sell or distribute, any Covered Bonds, directly or indirectly, in Canada or to, or for the benefit of, any resident thereof other than in compliance with all applicable securities laws of Canada or any province or territory thereof and without limiting the generality of the foregoing:

(a) it will offer, sell or distribute the Covered Bonds to purchasers in Canada purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45 106 - Prospectus Exemptions or Subsection 73.3(1) of the Securities Act, and are permitted clients, as defined in National Instrument 31 103 - Registration Requirements, Exemptions and Ongoing Registrant Obligations and that are not a person created or used solely to purchase or hold the Covered Bonds as an "accredited investor" as described in paragraph (m) of the definition of "accredited investor" in section 1.1 of NI 45-106;

(b) each Dealer is (i) appropriately registered under applicable Canadian securities laws in each relevant province or territory to distribute the Covered Bonds, or (ii) is relying on an exemption from the dealer registration requirements under applicable Canadian securities laws and has complied with the requirements of that exemption; and

(c) no offering memorandum (as defined in applicable Canadian securities laws) or any other offering material will be distributed or delivered in or to a resident of Canada in connection with the offering of Covered Bonds, except in compliance with applicable Canadian securities laws.

General

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Covered Bonds or possesses, distributes or publishes this Prospectus, any Final Terms, any Drawdown Prospectus or any related offering material, in all cases at its own expense. Other persons into whose hands this Prospectus, any Final Terms or any Drawdown Prospectus comes are required by the Issuer, the Arrangers and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Covered Bonds or possess, distribute or publish this Prospectus, any Final Terms, any Drawdown Prospectus or any related offering material, in all cases at their own expense.

Furthermore, none of the Issuer, the LLP, the Bond Trustee, the Security Trustee, the Arrangers or any of the Dealers will directly or indirectly offer, sell or deliver any Covered Bonds or distribute or publish any form of application, prospectus, advertisement or other offering material except under circumstances that will, to the best of their knowledge and belief, result in compliance with any applicable laws and regulations, and all offers, sales and deliveries of Covered Bonds by them will be made on the same terms.

None of the Issuer, the LLP, the Bond Trustee, the Security Trustee, the Arrangers or any of the Dealers represents that Covered Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer(s) will be required to comply with such other additional or modified restrictions (if any) as the Issuer and the relevant Dealer(s) shall agree as a term of issue and purchase as indicated in the applicable Final Terms.

Each Dealer will, unless prohibited by applicable law, furnish to each person to whom they offer or sell Covered Bonds a copy of the Prospectus as then amended or supplemented or, unless delivery of the Prospectus is required by applicable law, inform each such person that a copy will be made available upon request. The Dealers are not authorised to give any information or to make any representation not contained in the Prospectus in connection with the offer and sale of Covered Bonds to which the Prospectus relates.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in a supplement to this Prospectus or in a Drawdown Prospectus.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and a Dealer or any affiliate of that Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the relevant Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Covered Bonds have been duly authorised by resolutions of the Board of Directors of the Issuer passed on 25 November 2015, a resolution of the Asset and Liability Committee of the Board of Directors of the Issuer passed on 14 December 2015 and a resolution of the Covered Bond Committee of the Issuer ("**CBC**") passed on 26 March 2018. The update of the Programme was authorised by resolution of the Board of Directors of the Issuer on 24 October 2024 and a resolution of an Executive Director of the Issuer on 29 November 2024. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme, and the Issuer will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Covered Bonds. The giving of the Covered Bond Guarantee has been duly authorised by a resolution of the Management Committee dated 23 March 2018.

Legal and Arbitration Proceedings

Save as disclosed in relation to historic sales of certain products as set out in the sections entitled "*Risk Factors — Risks relating to the Issuer — Conduct Risk — The Issuer faces risks relating to complaints and redress issues from sales of historic financial products, which may not be covered by existing provisions*", "*Risk Factors — Risks relating to the Issuer — Conduct Risk — The Issuer is subject to substantial conduct regulations and regulatory oversight in respect of conduct issues*" and "*Risk Factors — Risks relating to the Issuer — Regulatory Risks — The Issuer is subject to risks associated with compliance with a wide range of laws and regulations*" on pages 38 to 40 of this Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer or the LLP is aware) in relation to the Issuer, any of its subsidiaries or the LLP which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer, any of its subsidiaries or the LLP.

Significant/Material Change

There has been no significant change in the financial performance or the financial position (a) of the Issuer or any of its subsidiaries (other than the LLP) since 30 September 2024, being the date to which the Issuer's last published unaudited financial statements were prepared or (b) of the LLP since 30 September 2023 being the date of the last audited non-consolidated financial statements of the LLP. There has been no material adverse change in the prospects (a) of the Issuer or any of its subsidiaries (other than the LLP) since 30 September 2023 being the date to which the Issuer's last published audited financial statements were prepared or (b) of the LLP since 30 September 2023, being the date of the last audited non-consolidated financial statements of the LLP.

Auditors

The audited consolidated financial statements of the Issuer for the periods ended 30 September 2023 and 30 September 2022 have been audited without qualification by Ernst & Young LLP. The audited financial statements of the LLP for the periods ended 30 September 2023 and 30 September 2022 have been audited without qualification by Ernst & Young LLP. Ernst & Young LLP is registered to carry on audit work in the United Kingdom by the Institute of Chartered Accountants in England and Wales.

Documents on Display

So long as Covered Bonds are capable of being issued under this Prospectus, copies of the following documents, when published, may be inspected on https://www.virginmoneyukplc.com/investor-relations/:

(a) the Issuer Financial Statements and the Issuer Risk Report;

(b) the most recently published audited annual financial statements of the LLP;

(c) the Trust Deed (which contains the forms of Covered Bonds in global and definitive form);

(d) a copy of this Prospectus;

(e) any future prospectuses, information memoranda and supplements including Final Terms to this Prospectus and any other documents incorporated herein or therein by reference; and

(f) each Transaction Document.

In addition, copies of this Prospectus, any documents incorporated by reference and each Final Terms relating to the Covered Bonds issued pursuant to this Prospectus will also be available for inspection on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html.

Clearing of the Covered Bonds

The Covered Bonds may be accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg. The appropriate common code and/or the International Securities Identification Number ("**ISIN**") and/or the Committee on Uniform Security Identification Procedures ("**CUSIP**") Number in relation to the Covered Bonds of each Tranche will be specified in the relevant Final Terms. In addition, the Issuer may make an application for any Registered Covered Bonds to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Covered Bonds, together with the relevant ISIN and common code, will be specified in the applicable Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Covered Bonds for clearance together with any further appropriate information.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of The Depository Trust Company is 55 Water Street, New York, NY10041-0099, U.S.A.

Legal Entity Identifier

The Legal Entity Identifier ("**LEI**") code of the Issuer is NHXOBHMY8K53VRC7MZ54.

Issue Price and Yield

Covered Bonds may be issued at any price. The issue price of each Tranche of Covered Bonds to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions. In the case of different Tranches of a Series of Covered Bonds, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche. The yield of each Tranche of Covered Bonds set out in the applicable Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

Reports

The Trust Deed provides that the Bond Trustee and the Security Trustee may rely on reports or other information from professional advisers or other experts in accordance with the provisions of the Trust Deed, whether or not any such report or other information, or engagement letter or other document entered into by the Bond Trustee or the Security Trustee and the relevant person in connection therewith, contains any monetary or other limit on the liability of the relevant person.

The Issuer provides monthly Investor Reports detailing compliance with the Asset Coverage Test and information relating to the characteristics of the Mortgage Portfolio. Investor Reports shall be posted on the Issuer's website at https://www.virginmoneyukplc.com/investor-relations/. Copies of the applicable Final Terms for each series are available to Covered Bondholders during normal business hours at the specified office of each of the Paying Agents.

In addition, the Issuer is required, pursuant to the terms of the RCB Regulations, to provide loan level information relating to the Mortgage Loans in the Asset Pool and to display the Transaction Documents related to the Programme. The loan level information and the Transaction Documents shall be posted on https://www.virginmoneyukplc.com/investor-relations/. Please note that websites and URLs referred to herein do not form part of this Prospectus.

Contracts

There are no material contracts having been entered into outside the ordinary course of Issuer's business, and which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to Covered Bondholders in respect of the Covered Bonds being issued.

GLOSSARY

"**Account Bank**"	HSBC Bank plc as account bank under the Bank Account Agreement together with any successor or any other account bank appointed from time to time.
"**Account Bank Ratings**"	(a) an, unsecured, unsubordinated and unguaranteed deposit rating by Moody's of A2 (long-term) and P-1 (short-term); and (b) a long-term IDR by Fitch of AA- or a short-term IDR by Fitch of F1+; or (c) in each case, such other short-term or long-term rating (or, in the case of Fitch, short-term or long-term IDR) which will not have an adverse effect on the ratings of the Covered Bonds.
"**Account Bank Remedial Ratings**"	(a) an unsecured, unsubordinated and unguaranteed deposit rating by Moody's of A3 (long-term); and (b) a long term IDR by Fitch of A or a short-term IDR by Fitch of F1; or (c) in each case, such other short-term or long-term rating (or, in the case of Fitch, short-term or long-term IDR) which will not have an adverse effect on the ratings of the Covered Bonds.
"**Accrual Yield**"	The meaning given in the applicable Final Terms.
"**Accumulation Series of Covered Bonds**"	Each Series of Covered Bonds that (a) does not have a Covered Bond Swap in place and (b) does not have monthly Interest Payment Dates.
"**Additional Business Centre**"	The meaning given in the applicable Final Terms.
"**Additional Financial Centre**"	The meaning given in the applicable Final Terms.
"**Adjusted Required Redemption Amount**"	The Sterling Equivalent of the Required Redemption Amount, plus the Sterling Equivalent of any swap termination amounts payable by the LLP or and minus the Sterling Equivalent of any swap termination amounts payable to the LLP under the Covered Bond Swap Agreements in respect of the relevant Series of Covered Bonds less (where applicable) amounts standing to the credit of the LLP Accounts and the Sterling Equivalent of the principal balance of any Authorised Investments and Substitution Assets (excluding all amounts to be applied on the next following LLP Payment Date to repay higher ranking amounts in the Guarantee Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds) plus the Sterling Equivalent of any swap termination amounts payable by the LLP or minus the Sterling Equivalent of any swap termination amounts payable to the LLP under the Interest Rate Swap Agreements.
"**Administrator**"	Clydesdale Bank PLC in its capacity as administrator under the Administration Agreement together with any successor or replacement administrator appointed from time to time.
"**Administration Agreement**"	The administration agreement originally entered into on the Initial Programme Date (as amended and/or supplemented and/or restated as at the date of this Prospectus and as further amended, amended and restated and/or supplemented and/or restated from time to time) between the LLP, the Administrator, the Cash Manager, the Seller, the Back-Up Administrator Facilitator and the Security Trustee.

"**Affiliate**"	In relation to any company, a subsidiary of that company, a holding company of that person or any other subsidiary of that holding company.
"**Agency Agreement**"	The agency agreement originally entered into on the Initial Programme Date (as amended and/or supplemented and/or restated as at the date of this Prospectus and as further amended, amended and restated and/or supplemented and/or restated from time to time) made between, *inter alios*, the Issuer, the LLP, the Bond Trustee, the Principal Paying Agent, the Registrar and the Transfer Agents.
"**Amortisation Test**"	The test as to whether the Amortisation Test Aggregate Loan Amount is at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date.
"**Asset Coverage Test**"	The test as to whether the Adjusted Aggregate Loan Amount is at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date.
"**Asset Coverage Test Breach Notice**"	The notice required to be served by the Bond Trustee if the Asset Coverage Test has not been met on two consecutive Calculation Dates.
"**Asset Monitor**"	A reputable institution appointed as such under the Asset Monitor Agreement.
"**Asset Monitor Agreement**"	The asset monitor agreement originally entered into on the Initial Programme Date (as amended and/or supplemented and/or restated as at the date of this Prospectus and as further amended and/or supplemented and/or restated from time to time) between the Asset Monitor, the LLP, the Cash Manager, the Issuer, the Bond Trustee and the Security Trustee.
"**Asset Monitor Report**"	The results of the tests conducted by the Asset Monitor in accordance with the Asset Monitor Agreement to be delivered to the Cash Manager, the LLP, the Issuer and the Security Trustee.
"**Asset Pool**"	All assets of the LLP from time to time including but not limited to the Mortgage Portfolio, any Substitution Assets, any Authorised Investments, the rights of the LLP in the Transaction Documents, the Dealer Agreement, the LLP Accounts (apart from the Swap Collateral Accounts) and all amounts standing to the credit thereto and any other assets referred to in Regulation 3(1) (Asset Pool) of the RCB Regulations, provided that all such assets are recorded as comprising the asset pool under the RCB Regulations.
"**Assigned Rights**"	In relation to any Mortgage Loan, all estates, rights, title, interest and benefit of the LLP in and to the relevant Mortgage Loan and any Related Security, which has been assigned to the LLP under or pursuant to the Mortgage Sale Agreement.
"**Associated Debt**"	The indebtedness a Borrower owes or may owe to the Seller from time to time which is not a Mortgage Loan.
"**Authorised Investments**"	Sterling gilt-edged securities and Sterling demand or time deposits provided that in all cases such investments have a remaining maturity date of 30 days or less and mature on or before the next following LLP Payment Date and the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) are rated at least P-1 by Moody's and F1 by Fitch or their equivalents by two other internationally recognised rating agencies, provided that such Authorised Investments comply with the requirements of Regulation 2(1A) of the RCB Regulations.
"**Authorised Signatory**"	(a) in relation to the Bank Account Agreement, any authorised signatory referred to in the mandate in respect of the Transaction Account or any other mandate in relation to an LLP Account as applicable;

(b) in relation to the Issuer Bank Account Agreement, any authorised signatory referred to in the mandate in respect of the Issuer Account or any other mandate in relation to an LLP Account as applicable;

(c) in relation to the Swap Collateral Account Bank Agreement, any authorised signatory referred to in a mandate in respect of the Swap Collateral Account or any other mandate in relation to a Swap Collateral Account as applicable;

(d) in relation to the Mortgage Sale Agreement, an officer or officers of each Seller authorised to act as an authorised signatory on behalf of such company; and

in all other cases, an officer of the Issuer, or the LLP, or such other person appointed by the Issuer or the LLP to act as authorised signatory.

"**Authorised Underpayment**" Amounts that have previously been overpaid by a Borrower to the Seller, which are used to fund future underpayments under its Mortgage Loan.

"**Available Principal Receipts**" On a relevant Calculation Date, an amount equal to the aggregate of (without double counting):

(a) the amount of Principal Receipts received during the immediately preceding Calculation Period and credited to the Principal Ledger on the LLP Accounts (but, for the avoidance of doubt, excluding any Principal Receipts received in the Calculation Period beginning in the month in which the relevant Calculation Date falls);

(b) any other amount standing to the credit of the Principal Ledger including (i) the proceeds of any Term Advance (where such proceeds have not been applied to acquire New Mortgage Loans or invest in Substitution Assets), (ii) any Cash Capital Contributions received from a Member and (iii) the proceeds from any sale of Selected Mortgage Loans pursuant to the terms of the LLP Deed or the Mortgage Sale Agreement but excluding any amount of principal received under the Covered Bond Swap Agreements; and

(c) any Excess Proceeds.

"**Available Revenue Receipts**" On a relevant Calculation Date, an amount equal to the aggregate of:

(a) the amount of Revenue Receipts received during the previous Calculation Period and credited to the Revenue Ledger on the LLP Accounts;

(b) other net income of the LLP including all amounts of interest received on the LLP Accounts, the Substitution Assets and Authorised Investments in the previous Calculation Period but excluding amounts received by the LLP under the Interest Rate Swap Agreements and in respect of interest received by the LLP under each Covered Bond Swap Agreement;

(c) prior to the service of a Notice to Pay amounts standing to the credit of the Reserve Fund in excess of the Reserve Fund Required Amount;

(d) any other Revenue Receipts not referred to in paragraphs (a) to (c) (inclusive) above received during the previous Calculation Period and standing to the credit of the Revenue Ledger on the LLP Accounts;

(e) following the service on the LLP of a Notice to Pay, amounts standing to the credit of the Reserve Fund;

(f) amounts standing to the credit of the Coupon Payment Ledger in excess of the Required Coupon Amount for (i) each Interest Payment Date for those Series of Covered Bonds that do not have a Covered Bond Swap in place and are not an Accumulation Series of Covered Bonds, or (ii) each Party B payment date in respect of those Series of Covered Bonds that have a Covered Bond Swap in place and or (iii) each LLP Payment Date for an Accumulation Series of Covered Bonds immediately succeeding such Calculation Date less, in the case of an Accumulation Series of Covered Bonds, any amount to be paid into the Interest Accumulation Ledger to ensure that the amount credited thereto is equal to the aggregate of all LLP Monthly Interest Amounts that should have been credited for the relevant Interest Period;

(g) payments made by the Seller to the LLP to fund any Non-Cash Borrow-back with respect to any Mortgage Loan in the Mortgage Portfolio during the immediately preceding Calculation Period;

(h) any Available Revenue Receipts that were retained by the LLP in accordance with the section entitled "*Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of an Asset Coverage Test Breach Notice*" on any LLP Payment Date falling after the service of an Asset Coverage Test Breach Notice but prior to such Asset Coverage Test Breach Notice being revoked; and

(i) such part of (i) any contributions made by the Seller to the LLP to fund the application of any Offset Benefit in respect of any Offset Mortgage Loan in the Mortgage Portfolio received on or prior to the relevant Calculation Date and (ii) any amounts standing to the credit of the Offset Benefit Reserve Ledger determined as Available Revenue Receipts in accordance with the methodology described in the section entitled "*Summary of the Principal Documents - LLP Deed – Offset Mortgage Loans*";

less

(j) Non-LLP Amounts, which shall be paid on receipt in cleared funds to the Seller,

and excluding (for the avoidance of doubt) amounts standing to the credit of the Coupon Payment Ledger and the Interest Accumulation Ledger.

"**Back-Up Administrator Facilitator**" Intertrust Management Limited, which has its office at 1 Bartholomew Lane, London, EC2N 2AX together with any successor or replacement back-up administrator facilitator appointed from time to time.

"**Bank Account Agreement**" The bank account agreement originally entered into on the Initial Programme Date (as amended and/or supplemented and/or restated as at the date of this Prospectus and as further amended and/or restated and/or supplemented from time to time) between the LLP, the Account Bank, the Cash Manager and the Security Trustee.

"**Base Rate Pledge**" The guarantee by the Seller that where Mortgage Loans are eligible to be charged at or based on the Standard Variable Rate and they are within the Base Rate Pledge Period, the actual variable gross interest rate charged on such Mortgage Loans will be the lower of the two following rates:

(a) the Standard Variable Rate; or

(b) the BoE base rate plus a margin which is determined by the Seller,

such variable gross interest rate to be applied as necessary within one month of a change in the BoE base rate.

"**Base Rate Pledge Period**" In relation to any Mortgage Loan having the benefit of the Base Rate Pledge, the period if any during which the Borrower may be subject to an Early Repayment Charge.

"**Bearer Definitive Covered Bond**" A Bearer Covered Bond in definitive form issued or, as the case may require, to be issued by the Issuer in accordance with the provisions of the Dealer Agreement or any other agreement between the Issuer and the relevant Dealer(s), the Agency Agreement and the Trust Deed in exchange for either a Temporary Global Covered Bond or part thereof or a Permanent Global Covered Bond or part thereof (all as indicated in the applicable Final Terms), such Bearer Covered Bond in definitive form being in the form or substantially in the form set out in Part 3 of Schedule 2 to the Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer (in the case of a non-syndicated issue) or lead manager (in the case of a syndicated issue) and having the Conditions endorsed thereon or, if permitted by the relevant stock exchange, incorporating the Conditions by reference as indicated in the applicable Final Terms and having the relevant information supplementing, replacing or modifying the Conditions appearing in the applicable Final Terms endorsed thereon or attached thereto and (except in the case of a Zero Coupon Covered Bonds in bearer form) having Coupons attached thereto on issue.

"**Borrow-back**" A Cash Borrow-back and a Non-Cash Borrow-back.

"**Borrower**" In relation to each Mortgage Loan, the individuals named and defined as borrower under that Mortgage Loan or such other person or persons (other than a guarantor) who shall become legally obliged to comply with such Borrower's obligations under the related Mortgage Loan.

"**Business Day**"

(a) when used in the context of the Conditions, the meaning given to it in Condition 5(b) (*Interest on Floating Rate Covered Bonds*); and

(b) when used in any other context, a day (other than a Saturday or a Sunday) on which commercial banks are generally open for business in London.

"**Business Day Convention**" The meaning given in the applicable Final Terms.

"**Buy-to-Let Mortgage Loan**" A Mortgage Loan taken out by a borrower in relation to the purchase or re-mortgage of a property for letting purposes.

"**Calculation Date**" The day falling two Business Days prior to the LLP Payment Date (or, if that day is not a Business Day, then the immediately preceding Business Day).

"**Calculation Period**" The period from, and including, the first day of each month to, and including, the last day of each month.

"**Capital Account Ledger**" The ledger maintained by the Cash Manager on behalf of the LLP in respect of each Member to record the balance of each Member's Capital Contributions from time to time.

"**Capital Contribution**" In relation to each Member, the aggregate of the capital contributed by that Member to the LLP from time to time by way of Cash Capital Contributions and Capital Contribution in Kind as determined on each Calculation Date in accordance with the formula set out in the LLP Deed.

"**Capital Contribution Balance**"	The balance of each Member's Capital Contributions as recorded from time to time in the relevant Member's Capital Account Ledger.
"**Capital Contribution in Kind**"	A contribution of Mortgage Loans and their Related Security to the LLP in an amount equal to (a) the aggregate of the Current Balance of those Mortgage Loans as at the relevant Transfer Date minus (b) any cash payment paid by the LLP for such Mortgage Loans and their Related Security on that Transfer Date, plus (c) the principal amount of all Cash Borrow-backs in respect of such Mortgage Loans which are funded by the Seller as a Member of the LLP and, without double-counting, any increases in the Current Balance of the relevant account.
"**Capital Distribution**"	Any return on a Member's Capital Contribution in accordance with the terms of the LLP Deed (and excluding, for the avoidance of doubt, any Deferred Consideration).
"**Capitalised Interest**"	For any Mortgage Loan at any date, interest which is overdue in respect of that Mortgage Loan and which as at that date has been added to the Capital Balance of that Mortgage Loan in accordance with the Mortgage Loan Conditions or otherwise by arrangement with the relevant Borrower (excluding any Arrears of Interest which have not been so capitalised on that date).
"**Cash Borrow-back**"	An option available to a Borrower that allows the Borrower to request that the Seller advance some or all overpayments in respect of a Mortgage Loan that the Borrower has made subject to certain conditions.
"**Cash Capital Contribution**"	A Capital Contribution made in cash.
"**Cash Management Agreement**"	The cash management agreement originally entered into on the Initial Programme Date (as amended and/or supplemented and/or restated as at the date of this Prospectus and as further amended and/or restated and/or supplemented from time to time) between the LLP, Clydesdale Bank PLC (in its capacity as the Cash Manager and the Security Trustee.
"**Cash Manager**"	Clydesdale Bank PLC, in its capacity as cash manager under the Cash Management Agreement together with any successor or replacement cash manager appointed from time to time.
"**Cash Manager Relevant Event**"	If the Cash Manager's long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's falls below Baa1.
"**Cash Swap Collateral Account Bank**"	HSBC Bank plc in its capacity as such under the Swap Collateral Account Bank Agreement together with any successor, additional or replacement account bank or any additional or alternative account bank appointed by the LLP from time to time pursuant to a relevant bank account agreement entered into by (amongst others) the LLP, the relevant successor, additional, replacement or alternative account bank and the Security Trustee.
"**CCA**"	Consumer Credit Act 1974, as amended.
"**CCA 2006**"	Consumer Credit Act 2006, as may be amended from time to time.
"**Collection Bank**"	Clydesdale Bank PLC, acting in its capacity as the bank at which the Collection Account is maintained together with any successor or replacement collection bank appointed by the Issuer from time to time.
"**Companies Act**"	The Companies Act 2006 (including the Companies Act 2006 as it applies to limited liability partnerships) and any regulations made pursuant to that Act.

"**Corporate Services Agreement**"	The corporate services agreement entered into by each of the LLP, the Liquidation Member and HoldCo, with the Corporate Services Provider, the Share Trustee and the LLP originally dated the Initial Programme Date (as amended and/or supplemented and/or restated as at the date of this Prospectus and as further amended and/or supplemented and/or restated from time to time).
"**Corporate Services Provider**"	Intertrust Management Limited, a company incorporated in England and Wales in its capacity as corporate services provider to the LLP, HoldCo and to the Liquidation Member under a Corporate Services Agreement, together with any successor or replacement corporate services provider appointed from time to time.
"**Coupon Payment Ledger**"	The ledger maintained by the Cash Manager pursuant to the Cash Management Agreement, to record the crediting of Required Coupon Amounts and any debiting of the same.
"**Covered Bond Swap**"	Swap transactions which are intended to hedge against certain interest rate and currency risks in respect of amounts received by the LLP under the Mortgage Loans and the relevant Interest Rate Swaps and amounts payable by the LLP under the Intercompany Loan Agreement (prior to the service of a Notice to Pay on the LLP) and under the Covered Bond Guarantee in respect of Covered Bonds (after the service of a Notice to Pay on the LLP).
"**Covered Bond Swap Agreement**"	Each ISDA Master Agreement including a schedule and credit support annex thereto and each confirmation thereunder entered into between the LLP and a Covered Bond Swap Provider.
"**Covered Bond Swap Observation Period**"	An Interest Rate Swap Observation Period as defined in the relevant Covered Bond Swap Agreement.
"**Covered Bond Swap Provider**"	Each provider of a Covered Bond Swap under a Covered Bond Swap Agreement.
"**Covered Bond Swap Rate**"	In relation to a Covered Bond or Series of Covered Bonds, the exchange rate specified in the Covered Bond Swap Agreement relating to such Covered Bond or Series of Covered Bonds or, if the Covered Bond Swap Agreement has terminated and no replacement Covered Bond Swap Agreement has been entered into, the applicable spot rate of exchange offered by a bank selected by the Cash Manager for the purchase of the applicable Specified Currency with Sterling, provided that in no event shall the Cash Manager be liable to the LLP or any other person for the spot rate of exchange so obtained (including if a spot rate of exchange more favourable to the LLP could have been obtained from another bank).
"**CRD IV**"	The legislative package consisting of Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms of the European Parliament and of the Council of 26 June 2013, as the same may be amended or replaced from time to time, and Regulation 575/2013.
"**Current Balance**"	In relation to a Mortgage Loan at a particular date the outstanding principal amount of such Mortgage Loan at such date (as adjusted to reflect any changes to the principal amount outstanding of such Mortgage Loan due to (i) an increase in the principal amount outstanding due to a Cash Borrow-back, (ii) or any unpaid interest in respect of an Underpayment, or (iii) a reduction to the principal amount outstanding due to repayments or overpayments, the exercise of a right of set-off or any amount in respect of a Loss which has been written off by the Administrator) including any capitalised interest and fees.
"**Day Count Fraction**"	In the case of a Fixed Rate Covered Bond, the meaning given in Condition 5(a) in "*Terms and Conditions of the Covered Bonds* " and in the case of a Floating

	Rate Covered Bond, the meaning given in Condition 5(b) in "*Terms and Conditions of the Covered Bonds*".
"**Defaulted Mortgage Loan**"	A Mortgage Loan in the Mortgage Portfolio which is more than 3 months in arrears.
"**Defaulted Mortgage Loans Notice**"	A notice from the Cash Manager to the Seller identifying any Defaulted Mortgage Loan.
"**Deferred Consideration**"	The consideration payable to a Seller in respect of the Mortgage Loans sold to the LLP from time to time, which is payable after making payments of a higher order of priority as set out in the relevant Priorities of Payments.
"**Definitive Covered Bond**"	A Bearer Definitive Covered Bond and/or, as the context may require, a Registered Definitive Covered Bond.
"**Definitive Rule 144A Covered Bond**"	A Registered Covered Bond in definitive form sold to QIBs pursuant to Rule 144A.
"**Definitive Regulation S Covered Bond**"	A Registered Covered Bond in definitive sold to non-U.S. persons outside the United States in reliance on Regulation S.
"**Determination Date**"	The meaning given in the applicable Final Terms.
"**Due for Payment Date**"	The Original Due for Payment Date or the Extended Due for Payment Date, as applicable.
"**Earliest Maturing Covered Bond**"	At any time, the Series of the Covered Bonds (other than any Series which is fully collateralised by amounts standing to the credit of the LLP Accounts) that has or have the earliest Final Maturity Date as specified in the applicable Final Terms (ignoring any acceleration of amounts due under the Covered Bonds prior to the occurrence of an LLP Event of Default).
"**Early Redemption Amount**"	The meaning given in the relevant Final Terms.
"**EEA**"	European Economic Area.
"**Early Repayment Charge**"	Any charge or fee which the mortgage conditions applicable to a Mortgage Loan require the relevant Borrower to pay in the event that all or part of that Mortgage Loan is repaid before a certain date.
"**ECB**"	European Central Bank.
"**English Mortgage**"	A mortgage secured by way of first priority legal charge over an English Mortgaged Property.
"**English Mortgage Loan**"	A Mortgage Loan secured by an English Mortgage.
"**English Mortgaged Property**"	A Mortgaged Property located in England or Wales.
"**EURIBOR**"	In respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor).

"**EU Benchmarks Regulation**"	Regulation (EU) 2016/1011 as amended.
"**EU CRA Regulation**"	Regulation (EC) No. 1060/2009 as amended.
"**EU Prospectus Regulation**"	Regulation (EU) 2017/1129 as amended.
"**EUWA**"	European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) as amended, varied, superseded or substituted from time to time.
"**Exchange Act**"	The U.S. Securities Exchange Act of 1934, as amended.
"**Excluded Scheduled Interest Amounts**"	The meaning given in the definition of "Scheduled Interest".
"**Excluded Scheduled Principal Amounts**"	The meaning given in the definition of "Scheduled Principal".
"**Excluded Swap Termination Amount**"	In relation to a Swap Agreement, an amount equal to the amount of any termination payment due and payable (a) to the relevant Swap Provider as a result of a Swap Provider Default with respect to such Swap Provider or (b) to the relevant Swap Provider following a Swap Provider Downgrade Event with respect to such Swap Provider.
"**Extraordinary Resolution**"	A resolution of the Covered Bondholders passed as such under the terms of the Trust Deed.
"**Final Maturity Date**"	The Interest Payment Date on which each Series of Covered Bonds will be redeemed at their Principal Amount Outstanding in accordance with the Conditions.
"**Final Redemption Amount**"	The meaning given in the relevant Final Terms.
"**First Transfer Date**"	The date on which the Initial Mortgage Portfolio was transferred to the LLP pursuant to the Mortgage Sale Agreement.
"**Fixed Interest Rate Swap**"	Each swap transaction that is intended to hedge against possible variances in the fixed rates of interest payable on some or all of the Mortgage Loans in the Mortgage Portfolio and a compounded daily SONIA rate.
"**Fixed Rate Covered Bond**"	Covered Bonds paying a fixed rate of interest on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s).
"**Fixed Rate Covered Bond Provisions**"	The meaning given in the relevant Final Terms.
"**Fixed Rate Mortgage Loans** "	Mortgage Loans subject to a fixed interest rate for a specified period of time and at the expiration of that period are generally subject to the Seller's standard variable rate.
"**Floating Rate Covered Bonds**"	Covered Bonds which bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or

(b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or

(c) on such other basis as may be agreed between the Issuer and the relevant Dealer(s),

as set out in the applicable Final Terms.

"**Floating Rate Covered Bond Provisions**" The meaning given in the relevant Final Terms.

"**Further Advance**" In relation to a Mortgage Loan, any further amount to be lent to the relevant Borrower which is secured by the same Mortgaged Property as the Mortgage Loan, in circumstances which do not amount to a Cash Borrow-back.

"**Guarantee**" Each guarantee in support of the obligations of a Borrower under a Mortgage Loan.

"**Guaranteed Amount**" Prior to the service of an LLP Acceleration Notice, with respect to any Original Due for Payment Date or, if applicable, any Extended Due for Payment Date, the sum of Scheduled Interest and Scheduled Principal, in each case, payable on that Original Due for Payment Date or, if applicable, any Extended Due for Payment Date, or after service of an LLP Acceleration Notice, an amount equal to the relevant Early Redemption Amount as specified in the Conditions plus all accrued and unpaid interest and all other amounts due and payable in respect of the Covered Bonds, including all Excluded Scheduled Interest Amounts, all Excluded Scheduled Principal Amounts (whenever the same arose) and all amounts payable by the LLP under the Trust Deed.

"**Halifax Index**" The index of movements in house prices in relation to residential properties in the United Kingdom currently known as the "Halifax House Price Index" published by Markit Group Limited or any of its successors or assigns or any other index which would be considered appropriate by a prudent residential mortgage lender acting reasonably;

"**Halifax Price Indexed Valuation**" In relation to any Mortgaged Property at any date means the Latest Valuation of that Mortgaged Property increased or decreased as appropriate by the increase or decrease in the Halifax Index since the date of that Latest Valuation;

"**Help to Buy Mortgage Loan**" Mortgage Loans entered into under the UK Government's "Help to Buy" Scheme or an equivalent scheme of the Scottish Government.

"**Higher Redemption Amount**" The meaning given in the relevant Final Terms.

"**HoldCo**" Eagle Place Covered Bonds (Holdings) Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 10298770).

"**IDR**" or "**Issuer Default Rating**" The issuer default rating assigned to an entity by any Rating Agency as a benchmark measure of probability of default.

"**Indexed Valuation**" At any date in relation to any Mortgage Loan secured over any Mortgaged Property:

(a) where the Latest Valuation of that Mortgaged Property is equal to or greater than the Halifax Price Indexed Valuation as at that date, the Halifax Price Indexed Valuation; or

(b) where the Latest Valuation of that Mortgaged Property is less than the Halifax Price Indexed Valuation as at that date, the Latest Valuation plus

85 per cent. of the difference between the Latest Valuation and the Halifax Price Indexed Valuation.

"**Initial Mortgage Portfolio**" The meaning given on page 246.

"**Initial Programme Date**" 9 April 2018.

"**Insolvency Event**" In respect of the Seller, the Administrator, the Cash Manager or the Issuer Account Bank (each, for the purposes of paragraphs (a) to (c) of this definition, a "**Relevant Entity**") means:

(a) an order is made or an effective resolution passed for the winding up of the Relevant Entity or the appointment of an administrator over the Relevant Entity (except, in any such case, a winding-up or dissolution for the purpose of a reconstruction or amalgamation the terms of which have been previously approved by the Security Trustee);

(b) the Relevant Entity ceases or threatens to cease to carry on its business (otherwise than for the purposes of such amalgamation or reconstruction as is referred to in paragraph (a) above) or stops payment or threatens to stop payment of its debts or is deemed unable to pay its debts within the meaning of section 123(1)(a) (on the basis that the reference in such section to £750 is read as a reference to £10 million), (b), (c) (on that basis that the words "for a sum exceeding £10 million" is inserted after the words "extract registered bond" and "extract registered protest"), (d) or (e) of the Insolvency Act 1986 (as amended, modified or re-enacted) or becomes unable to pay its debts as they fall due or the value of its assets is less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or otherwise becomes insolvent; or

(c) proceedings are initiated against the Relevant Entity or any steps are taken in respect of a Relevant Entity under any applicable liquidation, administration, reorganisation (other than a reorganisation where the Relevant Entity is solvent), insolvency or other similar laws, save where such proceedings are being contested in good faith; or an administrative or other receiver, administrator or other similar official is appointed in relation to the whole or any substantial part of the undertaking or assets of the Relevant Entity; or a distress, execution, diligence or other process is enforced upon the whole or any substantial part of the undertaking or assets of the Relevant Entity and in any of the foregoing cases it is not discharged within 30 Business Days; or if the Relevant Entity initiates or consents to judicial proceedings relating to itself under any applicable liquidation, administration, insolvency, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally.

"**Insurance Contract**" The properties in possession policy, the contingency insurance policy and the insurance on the property, or any other additional, substitute or replacement insurance contracts or policies arranged by the Seller from time to time relating to the Mortgage Loans in the Mortgage Portfolio.

"**Intercompany Loan Agreement**" The term loan agreement originally dated the Initial Programme Date between the Issuer, the LLP and the Security Trustee (as amended and/or supplemented and/or restated as at the date of this Prospectus and as further amended and/or supplemented and/or restated from time to time).

"**Intercompany Loan Ledger**"	The ledger maintained by the Cash Manager pursuant to the Cash Management Agreement to record all payments of interest and repayments of principal on each of the Term Advances.
"**Interest Accumulation Ledger**"	The ledger maintained on the LLP Accounts which shall record the LLP Monthly Interest Amounts accumulated on each LLP Payment Date in respect of a relevant Accumulation Series of Covered Bonds in accordance with the relevant Priorities of Payments, such amounts to be applied, together with Available Revenue Receipts in accordance with the Priorities of Payments (i) prior to the service of a Notice to Pay in payment of interest on the relevant Term Advance and (ii) following service of a Notice to Pay, Scheduled Interest that is Due for Payment in respect of such Accumulation Series of Covered Bonds.
"**Interest Basis**"	The meaning given in the relevant Final Terms.
"**Interest Determination Date**"	The meaning given in the relevant Final Terms.
"**Interest-Only Mortgage Loan**"	A Mortgage Loan on which interest (but not principal) is paid by the Borrower on a monthly basis to the maturity date for that Mortgage Loan.
"**Interest Rate Swaps**"	Swap transactions which are intended to hedge against possible variances in the rates of interest payable on some or all of the Mortgage Loans in the Mortgage Portfolio and a compounded daily SONIA rate.
"**Interest Rate Swap Agreements**"	Each ISDA Master Agreement including a schedule and credit support annex thereto and each confirmation thereunder entered into between the LLP and an Interest Rate Swap Provider.
"**Interest Rate Swap Providers**"	Each provider of an Interest Rate Swap under an Interest Rate Swap Agreement.
"**Investor Report**"	The monthly report made available to the Covered Bondholders, the Security Trustee, the Bond Trustee and any Rating Agency detailing *inter alia* compliance with the Asset Coverage Test and which are to be posted on the Issuer's website at https://www.virginmoneyukplc.com/investor-relations/.
"**ISDA**"	International Swaps and Derivatives Association, Inc.
"**ISDA Master Agreement**"	The 1992 ISDA Master Agreement (Multicurrency Cross Border), as published by ISDA.
"**Issue Date**"	Each date on which the Issuer issues Covered Bonds to the Covered Bondholders.
"**Issue Price**"	The meaning given in the relevant Final Terms.
"**Issuer Account**"	The account designated as such in the name of the LLP held with the Issuer Account Bank to be opened and maintained with the Issuer Account Bank in accordance with and subject to the terms of the Issuer Bank Account Agreement and the Deed of Charge or such other account as may for the time being be in place with the prior consent of the Security Trustee (acting on the directions of the Bond Trustee, so long as there are any Covered Bonds outstanding, or all of the other Secured Creditors if there are no Covered Bonds outstanding) and designated as such.
"**Issuer Account Bank Transfer Events**"	Any "Transfer Events" as defined in the Issuer Bank Account Agreement, including but not limited to the following: (a) a deduction or withholding for or on account of any tax is imposed, or it appears likely that such a deduction or withholding will be imposed, in

respect of the interest payable on the Issuer Account held with the Issuer Account Bank;

(b) an Insolvency Event occurs in relation to the Issuer Account Bank;

(c) service on the LLP of an Asset Coverage Test Breach Notice (which has not been revoked); or

(d) the Issuer Account Bank having a long-term IDR below BBB- by Fitch.

"**Issuer Bank Account Agreement**" The bank account agreement originally entered into on the Initial Programme Date (as amended and/or supplemented and/or restated as at the date of this Prospectus and as further amended and/or restated and/or supplemented from time to time) between the LLP, the Issuer Account Bank, the Cash Manager and the Security Trustee.

"**Issuer Call**" The meaning given in the relevant Final Terms.

"**Issuer Permitted Cash Amount**"

(a) for so long as the Issuer Account Bank is rated below the Account Bank Remedial Ratings, an amount of cash deposits up to A- B where:

A = the Adjusted Aggregate Loan Amount (as calculated on the previous Calculation Date) plus item W of the Adjusted Aggregate Loan Amount; and

B = the Sterling Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds (as calculated on the previous Calculation Date),

provided that the Reserve Fund shall be held by the Account Bank; or

(b) for so long as the Issuer Account Bank is rated at least the Account Bank Remedial Ratings, all cash deposits (including the Reserve Fund) held on behalf of the LLP from time to time; or

(c) for so long as the Issuer Account Bank has a long-term IDR below BBB- by Fitch, zero.

"**Latest Valuation**" With respect to a Mortgaged Property, the most recent valuation for mortgage purposes given in any valuation report or assessed using automated valuation models.

"**Ledgers**" Each of the Revenue Ledger, the Principal Ledger, the Reserve Ledger, the Coupon Payment Ledger, the Swap Collateral Ledger, the Intercompany Loan Ledger, the Interest Accumulation Ledger, the Capital Account Ledger and the Offset Benefit Reserve Ledger.

"**Lending Criteria**" The lending criteria of the relevant Originator from time to time.

"**LIBOR**" London Interbank Offered Rate.

"**Liquidation Member**" Eagle Place Covered Bonds Finance Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 10298909).

"**LLP Accounts**" The Transaction Account, the Issuer Account and any additional or replacement accounts opened in the name of the LLP, including each Swap Collateral Account.

"**LLP Deed**" The limited liability partnership deed originally entered into on the Initial Programme Date (as amended and/or supplemented and/or restated as at the date hereof and as further amended and/or supplemented and/or restated from time to time) between the LLP, Clydesdale Bank PLC, the Liquidation Member, the Bond Trustee and the Security Trustee.

"**LLP Monthly Interest Amount**"	On any relevant LLP Payment Date in respect of each Accumulation Series of Covered Bonds, an amount equal to the interest actually accrued on the relevant Accumulation Series of Covered Bonds up to (but excluding) such LLP Payment Date and not yet paid to the relevant Interest Accumulation Ledger since the previous Interest Payment Date.
"**LLP Monthly Payment Amount**"	On any relevant LLP Payment Date in respect of each Accumulation Series of Covered Bonds, an amount equal to: A+B Where: "**A**" is the amount of interest expected to be accrued on the relevant Accumulation Series of Covered Bonds in the immediately following LLP Payment Period; provided that if the applicable rate of interest for calculating such amount is to be determined by reference to a compounded daily SONIA rate determined after the date on which the relevant Cash Capital Contribution is required to be made, then "A" will be an estimate of the amount of expected interest for such immediately following LLP Payment Period, such estimate to be calculated on the basis of an assumed interest rate for the relevant LLP Payment Period equal to the sum of (x) the SONIA Spot Rate published on the London Banking Day immediately preceding the relevant Calculation Date on which the relevant Cash Capital Contribution is required to be determined, compounded daily over the relevant LLP Payment Period, (y) the Margin and (z) 0.25 per cent.; and "**B**" is an amount equal to the interest actually accrued on the relevant Accumulation Series of Covered Bonds and not yet paid to the relevant Coupon Payment Ledger (whether as an estimated amount pursuant to A above or an actual amount pursuant to B) since the previous Interest Payment Date.
"**LLP Payment Date**"	The 22nd day of each month or, if such a day is not a Business Day, the next following Business Day.
"**LLP Payment Period**"	The period from (and including) an LLP Payment Date to (but excluding) the next following LLP Payment Date.
"**LLP Profit Ledger**"	The ledger maintained by the Cash Manager on behalf of the LLP in respect of each Member to record amounts paid to the relevant Members of the LLP as their profit for their respective interests as Members of the LLP.
"**LLP Standard Variable Rate**"	The Standard Variable Rate applicable to Mortgage Loans in the Mortgage Portfolio as set, other than in limited circumstances, by the Administrator, in accordance with Clause 5 (Interest Rates) of the Administration Agreement.
"**Loan Interest Payment Date**"	In respect of any Term Advance, each Interest Payment Date in respect of the corresponding Series or Tranche of Covered Bonds that funded such Term Advance.
"**London Banking Day**" or "**LBD**"	Any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London.
"**London Stock Exchange**"	London Stock Exchange plc.
"**Losses**"	All realised losses on the Mortgage Loans.
"**Management Committee**"	The management committee which will act on behalf of the LLP and to which (other than any decision to approve the audited accounts of the LLP or to make a resolution for the voluntary winding-up of the LLP, which requires a unanimous decision of the Members) the Members delegate all matters, consisting of, at the

	date of this Prospectus, those persons listed in Schedule 1 (*Representatives of the Members at Meetings of the Management Committee*) of the LLP Deed, and thereafter their successors or such other persons appointed from time to time to the committee of management of the LLP in accordance with the LLP Deed and having the powers delegated to them under that clause or by the Designated Members from time to time.
"**Margin**"	The meaning given in the relevant Final Terms.
"**Master Definitions and Construction Schedule**"	The master definitions and construction schedule signed for the purpose of identification by Allen & Overy LLP and Freshfields Bruckhaus Deringer LLP (as the same may be amended and/or supplemented and/or restated from time to time).
"**Maximum Rate of Interest**"	The meaning given in the relevant Final Terms.
"**MHA/CP Documentation**"	An affidavit, consent or renunciation granted in terms of the Matrimonial Homes (Family Protection) (Scotland) Act 1981 or (as applicable) the Civil Partnership Act 2004 in connection with a Scottish Mortgage or the Mortgaged Property secured thereby.
"**Minimum Rate of Interest**"	The meaning given in the relevant Final Terms.
"**Minimum Redemption Amount**"	The meaning given in the relevant Final Terms.
"**Mortgage**"	For any Mortgage Loan, the first priority legal charge over a freehold or leasehold Mortgaged Property located in England and Wales or the first ranking Standard Security over a heritable or long leasehold Mortgaged Property located in Scotland.
"**Mortgage Account**"	As the context requires (i) all Mortgage Loans secured on the same Mortgaged Property and thereby forming a single mortgage account or (ii) an account maintained by the Administrator in respect of a particular Mortgage Loan to record all amounts due in respect of that Mortgage Loan (whether by way of principal, interest or otherwise) and all amounts received in respect thereof.
"**Mortgage Deed**"	In respect of any Mortgage, the deed creating that Mortgage.
"**Mortgage Loan**"	A residential mortgage loan originated by an Originator that forms part of the Mortgage Portfolio and is beneficially assigned by the Seller to the LLP from time to time under the terms of the Mortgage Sale Agreement (including, without limitation, any Mortgage Loan which is the subject of a Product Switch).
"**Mortgage Loan Agreement**"	In relation to any Mortgage Loan, the agreement, any Mortgage Loan Conditions, facility letter or accepted formal loan offer pursuant to which the moneys secured by the relevant Mortgage were advanced to the Borrower (as varied from time to time in accordance with its applicable terms and conditions).
"**Mortgage Loan Conditions**"	In relation to any Mortgage Loan the conditions applicable to that Mortgage Loan (including without limitation any set out in the relevant formal loan offer letter to Borrower) each as varied from time to time by the relevant Mortgage Loan Agreement and the relevant Mortgage Deed.
"**Mortgage Loan Files**"	In relation to each Mortgage Loan, the file or files (including files kept in microfiche format or similar electronic data retrieval system) containing correspondence between the Borrower and the Seller and including the Standard Mortgage Documentation applicable to that Mortgage Loan, each letter of offer in respect of such Mortgage Loan and other relevant documents.

"**Mortgage Payment**"	The amount which the applicable mortgage conditions require the Borrower to pay in respect of its Mortgage Loan on each date on which the Borrower is required to make payments of interest and/or principal under the applicable mortgage conditions.
"**Mortgage Portfolio**"	The meaning given on page 246.
"**Mortgage Sale Agreement**"	The mortgage sale agreement originally entered into on the Initial Programme Date (as amended and/or supplemented and/or restated at the date of this Prospectus and as further amended and/or restated and/or supplemented from time to time) between the Seller, the LLP and the Security Trustee.
"**Mortgaged Property**"	A freehold, leasehold or commonhold property (or in Scotland a heritable property or a property held under a long lease) which is subject to a Mortgage.
"**New Member**"	Any new member admitted to the LLP after the Initial Programme Date.
"**New Mortgage Loan**"	The meaning given on page 246.
"**New Mortgage Loan Type**"	A new type of mortgage loan originated or acquired by the Seller, which the Seller intends to transfer to the LLP, the terms and conditions of which are materially different (in the opinion of the Seller, acting reasonably) from the Mortgage Loans. For the avoidance of doubt, a mortgage loan will not constitute a New Mortgage Loan Type if it differs from the Mortgage Loans due to (a) it having a different origination date, different interest rates and/or interest periods and/or time periods for which it is subject to a fixed rate, capped rate, tracker rate or any other interest rate or the benefit of any discounts, cash-backs and/or rate guarantees or (b) the identity of the Seller changing from the Part VII Effective Date.
"**New Safekeeping Structure**"	A structure whereby a Regulation S Registered Global Covered Bond which is registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg will be deposited on or about the relevant Issue Date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.
"**New Seller**"	Any member of the Group that is a "connected person" as defined in Regulation 5 of the RCB Regulations and that accedes to the relevant Transaction Documents (and Dealer Agreement, if applicable) and sells Mortgage Loans and their Related Security to the LLP in the future.
"**Non-Cash Borrow-back**"	An Authorised Underpayment or authorised payment holiday under a Mortgage Loan.
"**Non-LLP Amounts**"	(a) amounts received from a Borrower in respect of: (i) payments of insurance premia, (if any) due to the Seller in respect of any Seller-arranged insurance policy to the extent not paid or payable by the Seller (or, to the extent that such insurance premia have been paid by the Seller in respect of any Further Advance granted in respect of any Mortgage Loan which is not re-purchased by the Seller, to reimburse the Seller); (ii) amounts under a direct debit which are repaid to the bank making such payment if such bank is unable to recoup that amount itself from its customer's account, which amounts may be paid daily from monies on deposit in the LLP Accounts; (iii) other charges which are due to the Seller including, for the avoidance of doubt, Early Repayment Charges;

(b) any amount which represents an amount received from a Borrower which does not form part of that Borrower's Mortgage Account or comprise unpaid interest (but excluding, for the avoidance of doubt, any payments in arrear) as at the relevant Transfer Date and which is an amount owed by such Borrower in respect of any period prior to the relevant Transfer Date as and when identified by the Cash Manager, which amount shall be for the account of the Seller; and

(c) any All Monies Mortgage Consideration.

"**Net Promoter Score**" or "**NPS**" A measure of satisfaction that ranges between -100 and +100 and represents the likelihood of respondents recommending Virgin Money, its products or services to others. From a scale between 0 to 10, those scoring 9 to 10 are categorised as "Promoters", those scoring 0 to 6 as "Detractors" and those scoring 7 to 8 as "Passives". The NPS is calculated by subtracting the percentage of respondents who are "Detractors" from the percentage of respondents that are "Promoters". "Passives" count towards the total number of respondents and thus decrease the percentage of "Detractors" and "Promoters".

"**Official List**" Official list of the FCA.

"**Offset Benefit**" In respect of a Mortgage Payment, the difference between:

(a) the part of such Mortgage Payment that constitutes interest (prior to the application of the offset provisions of the relevant Offset Mortgage Loan); and

(b) the part of such Mortgage Payment that constitutes interest (after the application of the offset provisions of the relevant Offset Mortgage Loan).

"**Offset Benefit Contribution Amount**" The meaning given in the section entitled "*Summary of the Principal Documents* - LLP Deed – *Offset Mortgage Loans*".

"**Offset Benefit Reserve Ledger**" The ledger so named maintained by the Cash Manager in the name of the LLP pursuant to the provisions of the Cash Management Agreement to record the Offset Benefit Contribution Amounts paid by the Seller to the LLP in relation to the Offset Mortgage Loans in the Mortgage Portfolio.

"**Offset Mortgage Loan**" A mortgage loan which is economically linked to the borrower's current and/or savings accounts, allowing the borrower to off-set any credit balance in their current and/or savings account against money owed on their mortgage loan.

"**Opening Capital Contribution Balance**" The Capital Contribution Balance of each Member on the Programme Date and, in the case of New Members, on the date any such New Member is admitted to the LLP in accordance with the LLP Deed.

"**Optional Redemption Amount**" The meaning given in the relevant Final Terms.

"**Optional Redemption Date**" The meaning given in the relevant Final Terms.

"**Originator**" The NRAM Originator, the HVM Originator, and each Virgin Money Originator, or any one of them, as the context requires.

"**Outstanding**" In relation to the Covered Bonds of all or any Series, all the Covered Bonds of such Series issued other than:

(a) those Covered Bonds which have been redeemed pursuant to the trust presents;

(b) those Covered Bonds in respect of which the date (including, where applicable, any deferred date) for redemption in accordance with the Conditions has occurred and the redemption moneys (including all interest payable thereon) have been duly paid to the Bond Trustee or to the Principal Paying Agent in the manner provided in the Agency Agreement (and where appropriate notice to that effect has been given to the relative Covered Bondholders in accordance with Condition 14 (*Notices*)) and remain available for payment of the relevant Covered Bonds and/or Coupons;

(c) those Covered Bonds which have been purchased and cancelled in accordance with Conditions 7(f) (*Redemption and Purchase- purchases* and 7(g) (*Cancellation*);

(d) those Covered Bonds which have become void or in respect of which claims have become prescribed, in each case under Condition 9 (*Prescription*);

(e) those mutilated or defaced Covered Bonds which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 11 (*Replacement of Covered Bonds and Coupons*);

(f) (for the purpose only of ascertaining the Principal Amount Outstanding of the Covered Bonds outstanding and without prejudice to the status for any other purpose of the relevant Covered Bonds) those Covered Bonds which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 11 (*Replacement of Covered Bonds and Coupons*); and

(g) any Global Covered Bond to the extent that it shall have been exchanged for definitive Covered Bonds or another Global Covered Bond pursuant to its provisions, the provisions of the trust presents and the Agency Agreement;

provided that for each of the following purposes, namely:

(i) the right to attend and vote at any meeting of the holders of the Covered Bonds of any Series;

(ii) the determination of how many and which Covered Bonds of any Series are for the time being outstanding for the purposes of Clause 11 (Proceedings, Action And Indemnification) of the Trust Deed, Conditions 10 (*Events of Default and Enforcement*) and 15 (*Meetings of Covered Bondholders, Modification and Waiver*) and paragraphs 2, 5, 6, and 9 of Schedule 4 (Provisions for Meetings of Covered Bondholders) to the Trust Deed;

(iii) any discretion, power or authority (whether contained in the trust presents or vested by operation of law) which the Bond Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the holders of the Covered Bonds of any Series; and

(iv) the determination by the Bond Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the holders of the Covered Bonds of any Series,

those Covered Bonds of the relevant Series (if any) which are for the time being held by or on behalf of the Issuer (or any Affiliate), or the LLP in each case as

	beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding.
"**Part VII Effective Date**"	The date on which the Part VII Transfer became effective (being the first day on which the relevant businesses, operations, assets and liabilities were combined pursuant to the Part VII Transfer).
"**Part VII Transfer**"	The transfer of all or substantially all of the business, operations, assets and liabilities of Virgin Money plc (now Virgin Money Limited) to, or the combination and amalgamation thereof with all or substantially all of the business, operations, assets and liabilities of, Clydesdale Bank PLC, pursuant to a transfer under Part VII of the Financial Services and Markets Act 2000 (as amended from time to time).
"**Partial Mortgage Portfolio**"	Part of any portfolio of Selected Mortgage Loans.
"**Performing Fixed Rate Mortgage Loans**"	Fixed Rate Mortgage Loans in the Mortgage Portfolio that are not more than three months in arrears.
"**Performing Mortgage Loans**"	Mortgage Loans in the Mortgage Portfolio that are not more than three months in arrears.
"**Performing Tracker Rate Mortgage Loans**"	Tracker Rate Mortgage Loans in the Mortgage Portfolio that are not more than three months in arrears.
"**Principal Ledger**"	The ledger on the LLP Accounts of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record the credits and debits of Principal Receipts in accordance with the terms of the LLP Deed.
"**Principal Receipts**"	Any payment which the records of the Administrator show is received in respect of principal in respect of any Mortgage Loan, whether as all or part of a Mortgage Payment in respect of such Mortgage Loan, on redemption (including partial redemption) of such Mortgage Loan, on enforcement or on the disposal of such Mortgage Loan or otherwise (including payments pursuant to any insurance policy and such portion of the Repurchase Price in respect of any repurchases of Mortgage Loans by the Seller pursuant to the Mortgage Sale Agreement that represents the principal amount outstanding of such Mortgage Loan and including all proceeds of enforcement representing principal in respect of an All Monies Mortgage) (and which may include the amount of any overpayment in respect of any Mortgage Loan) but excluding any Non-LLP Amounts.
"**Priorities of Payments**"	The Pre-Acceleration Revenue Priority of Payments, the Pre-Acceleration Principal Priority of Payments, the Guarantee Priority of Payments and the Post-Enforcement Priority of Payments.
"**Product Switch**"	Any variation, including a change in product type, excluding the following variations: (a) a change between Interest-Only Mortgage Loans and Repayment Mortgage Loans, or vice versa; (b) a change of a party to a Mortgage Loan or a release of part of the land subject to the Mortgage; (c) any variation agreed with Borrowers to control or manage existing arrears on a Mortgage Loan; and (d) any variation imposed by statute.
"**Purchaser**"	Any third party or the Seller to whom the LLP offers to sell Selected Mortgage Loans.

"**Ratings Condition**" The condition that will be satisfied in respect of an event or matter if the LLP, the Issuer, the Bond Trustee and/or the Security Trustee (as applicable), has received a Ratings Confirmation in respect of such event or matter.

"**Ratings Confirmation**" In respect of a proposed action or step under or in connection with the "*Terms and Conditions of Covered Bonds*" or any Transaction Document:

(a) the Issuer obtains from each Rating Agency written confirmation that such action or step would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the relevant Covered Bonds of any Series by such Rating Agency or (y) such Rating Agency placing the Covered Bonds of any Series on rating watch negative (or equivalent) and delivers a copy of each such confirmation to the Bond Trustee and the Security Trustee; or

(b) the Issuer provides a certificate signed by an Authorised Signatory of the Issuer certifying to the Bond Trustee and the Security Trustee that it has notified each Rating Agency of the proposed action or step and, in its opinion, formed on the basis of due consideration and consultation with such Rating Agency (including, as applicable, upon receipt of oral confirmation from an appropriately authorised person at such Rating Agency), such action or step would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the Covered Bonds of any Series by such Rating Agency or (y) such Rating Agency placing the Covered Bonds of any Series on rating watch negative (or equivalent).

"**Reference Banks**" In the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone interbank market, in each case selected by the Cash Manager.

"**Reference Price**" The meaning given in the relevant Final Terms.

"**Reference Rate**" The meaning given in the relevant Final Terms.

"**Registered Covered Bonds**" Covered Bonds in registered form.

"**Registered Definitive Covered Bonds**" A Registered Covered Bond in definitive form issued or, as the case may require, to be issued by the Issuer in accordance with the provisions of the Dealer Agreement or any other agreement between the Issuer and the relevant Dealer(s), the Agency Agreement and the Trust Deed either on issue or in exchange for a Registered Global Covered Bond or part thereof (all as indicated in the applicable Final Terms), such Registered Covered Bond in definitive form being in the form or substantially in the form set out in Part 7 of Schedule 2 to the Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s) and having the Conditions endorsed thereon or, if permitted by the relevant stock exchange, incorporating the Conditions by reference (where applicable to the Trust Deed) as indicated in the applicable Final Terms and having the relevant information supplementing, replacing or modifying the Conditions appearing in the applicable Final Terms endorsed thereon or attached thereto and having a form of transfer endorsed thereon.

"**Registered Global Covered Bonds**" The Rule 144A Global Covered Bonds together with the Regulation S Global Covered Bonds.

"**Registers of Scotland**" The Land Register of Scotland and/or the General Register of Sasines.

"**Regulation S Covered Bond**" Either a Regulation S Global Covered Bond or Definitive Regulation S Covered Bond. The plural includes either or both.

"**Regulation S Global Covered Bond**"	A Global Covered Bond in registered form representing a Registered Covered Bond of a Tranche sold to non-U.S. persons outside the United States in reliance on Regulation S and in the form or substantially in the form set out in Part 6 of Schedule 2 (Forms of Registered Global Covered Bond) to the Trust Deed.
"**Related Security**"	The security for repayment of a Mortgage Loan including the relevant Mortgage and all other matters applicable to the Mortgage Loan, acquired as part of the Mortgage Portfolio assigned to the LLP.
"**Relevant Financial Centre**"	The meaning given in the relevant Final Terms.
"**Relevant Screen Page**"	The meaning given in the relevant Final Terms.
"**Relevant Time**"	means, in respect of any Zurich Banking Day, close of trading on SIX Swiss Exchange on such Zurich Banking Day, which is expected to be on or around 6.00 p.m. (Zurich time).
Rent Act	The Rent Act 1977.
"**Repayment Mortgage Loan**"	A Mortgage Loan on which principal and interest is paid by the Borrower on a monthly basis to the maturity date for that Mortgage Loan.
"**Required Coupon Amount**"	An aggregate amount equal to the Sterling Equivalent of: (i) (in the case of each Term Advance where a Covered Bond Swap is not in place other than in respect of an Accumulation Series of Covered Bonds), interest due from the LLP on a relevant Term Advance for the relevant Loan Interest Payment Date; provided that if the applicable rate of interest for calculating such amount is to be determined by reference to a compounded daily SONIA rate determined after the date on which the relevant Cash Capital Contribution is required to be made, the Required Coupon Amount will be an estimate of the amount of interest that will be due from the LLP on the relevant Term Advance on the relevant Loan Interest Payment Date, such estimate to be calculated on the basis of an assumed interest rate for the relevant Loan Interest Period equal to the sum of (x) the SONIA Spot Rate published on the London Banking Day immediately preceding the date on which the relevant Cash Capital Contribution is required to be made, compounded daily over the relevant Loan Interest Period (y) the applicable margin on the relevant Term Advance and (z) 0.25 per cent.; (ii) (in the case of each Term Advance where a Covered Bond Swap is in place) an amount equal to the net amount due from the LLP under a Covered Bond Swap Agreement on a relevant Party B payment date (other than those amounts due in respect of an Interim Exchange Date or Final Exchange Date) (each as defined in the relevant Swap Agreement) under the relevant Covered Bond Swap Agreement; provided that if the applicable rate of interest for calculating such amount is to be determined by reference to a compounded daily SONIA rate determined after the date on which the relevant Cash Capital Contribution is required to be made, the Required Coupon Amount will be an estimate of the net amount due from the LLP on the relevant Party B payment date under the relevant Covered Bond Swap Agreement, such estimate to be calculated on the basis of an assumed interest rate for the relevant Covered Bond Swap Observation Period equal to the sum of (x) the SONIA Spot Rate published on the London Banking Day immediately preceding the date on which the relevant Cash Capital Contribution is required to be made, compounded daily over the relevant Covered Bond Swap Observation Period, (y) the margin in relation to the relevant Covered Bond Swap and (z) 0.25 per cent.; and

(iii) (in the case of a Term Advance relating to an Accumulation Series of Covered Bond), the LLP Monthly Payment Amount payable by the LLP on that relevant Term Advance for the relevant LLP Payment Date.

"**Required Redemption Amount**" In respect of a Series of Covered Bonds, the amount calculated as follows:

the Principal Amount Outstanding of the relevant Series of Covered Bonds	×	(1+ Negative Carry Factor × (days to maturity of the relevant Series of Covered Bonds/365))

"**Reserve Fund**" The reserve fund that the LLP will be required to establish in the Transaction Account or the Issuer Account (in an amount not exceeding the Issuer Permitted Cash Amount) which will be credited with part of a Term Advance (in the LLP's discretion) and the proceeds of Available Revenue Receipts up to an amount equal to the Reserve Fund Required Amount.

"**Reserve Fund Required Amount**" If the Issuer's short-term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least F1+ by Fitch and P-1 by Moody's, nil or such other amount as Clydesdale Bank PLC shall direct the LLP from time to time and otherwise an aggregate amount equal to the Sterling Equivalent of:

(a) in relation to each Series of Covered Bonds where there is a Covered Bond Swap in place, the aggregate of amounts due to each Covered Bond Swap Provider in the immediately following three months; plus

(b) in relation to each Series of Covered Bonds where there is no Covered Bond Swap in place, the aggregate amount of interest due on each Series of Covered Bonds in the immediately following three months; plus

(c) an amount equal to one-quarter of the anticipated aggregate annual amount payable in respect of the items specified in paragraphs (a) to (d) and, if applicable, (e) of the *Pre-Acceleration Revenue Priority of Payments*, plus £600,000,

provided that in determining the amount of the Reserve Fund Required Amount, where any amount in respect of the Covered Bonds or the Covered Bond Swaps is determined by reference to a floating rate, then:

(i) (unless the floating rate is determined by reference to a compounded daily SONIA rate) the interest rate for the purpose of such calculation shall be the then current floating rate as at the date on which the amount is calculated; or

(ii) (if the floating rate is determined by reference to a compounded daily SONIA rate), the interest rate for the purpose of such calculation shall be deemed to be equal to the sum of (x) the SONIA Spot Rate published on the date on which the amount is calculated (or, if such day is not a London Banking Day, on the immediately preceding London Banking Day), compounded daily over the relevant period and (y) the Margin or the margin in relation to the Covered Bond Swaps, as applicable, for such period.

"**Reserve Ledger**" The ledger on the Transaction Account or the Issuer Account (as applicable) of such name maintained by the Cash Manager pursuant to the Cash Management Agreement, to record the crediting of Revenue Receipts to the Reserve Fund and the debiting of such Reserve Fund in accordance with the terms of the LLP Deed.

"**Revenue Ledger**" The ledger on the LLP Accounts of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record credits and debits of Revenue Receipts in accordance with the terms of the LLP Deed.

"**Revenue Receipts**"	Any payment received in respect of any Mortgage Loan, including any payments received from the Seller in respect of any Non-Cash Borrow-back, whether as all or part of a monthly payment in respect of such Mortgage Loan, on redemption (including partial redemption) of such Mortgage Loan, on enforcement of such Mortgage Loan (including the proceeds of sale thereof and including all proceeds of enforcement representing revenue in respect of an All Monies Mortgage), on the disposal of such Mortgage Loan or otherwise (including payments pursuant to any insurance policy and payments of Repurchase Price by the Seller) which in any such case is not a Principal Receipt in respect of such Mortgage Loan, other than any Non-LLP Amounts.
"**Right to Buy Mortgage Loans**"	Mortgage Loans entered into by a borrower as a means to purchase, refinance or improve a residential property from a local authority or certain other landlords under "right to buy" schemes which are subject to the provisions of the Housing Act 1985 (as amended by the Housing Act 2004) (in the case of English Mortgage Loans) or (as applicable) the Housing (Scotland) Act 1987 (as amended by the Housing (Scotland) Act 2001 and the Housing (Scotland) Act 2014) (in the case of Scottish Mortgage Loans).
"**Sale Proceeds**"	The cash proceeds realised from the sale of Selected Mortgage Loans and their Related Security.
"**SARON**"	In respect of any Zurich Banking Day, a reference rate equal to the Swiss Average Rate Overnight for such Zurich Banking Day published by the SARON Administrator on the SARON Administrator Website at the Relevant Time on such Zurich Banking Day.
"**SARON Administrator**"	SIX Index AG or any successor administrator of SARON.
"**SARON Administrator Website**"	means the website of the SARON Administrator.
"**Sasine Transfer**"	An assignation of any Scottish Mortgages recorded (or subject to an application for recording) in the General Register of Sasines to be granted pursuant to the Mortgage Sale Agreement.
"**Scheduled Interest**"	On any Interest Payment Date, an amount equal to the amount in respect of interest which would have been due and payable under the Covered Bonds on such Interest Payment Date as specified in Condition 5 (*Interest*) (but excluding any additional amounts relating to premiums, default interest or interest upon interest ("**Excluded Scheduled Interest Amounts**") payable by the Issuer following an Issuer Event of Default, but including such amounts (whenever the same arose) following service of an LLP Acceleration Notice) as if the Covered Bonds had not become due and repayable prior to their Final Maturity Date and, if the Final Terms specified that an Extended Due for Payment Date is applicable to the relevant Covered Bonds, as if the maturity date of the Covered Bonds had been the Extended Due for Payment Date (but taking into account any principal repaid in respect of such Covered Bonds or any Guaranteed Amounts paid in respect of such principal prior to the Extended Due for Payment Date), less any additional amounts the Issuer would be obliged to pay as a result of any gross-up in respect of any withholding or deduction made under the circumstances set out in Condition 8 (*Taxation*).
"**Scheduled Payment Date**"	In relation to payments under the Covered Bond Guarantee, each Interest Payment Date or the Final Maturity Date as if the Covered Bonds had not become due and repayable prior to their Final Maturity Date.
"**Scheduled Principal**"	An amount equal to the amount in respect of principal which would have been due and repayable under the Covered Bonds on each Interest Payment Date or the Final Maturity Date (as the case may be) as specified in Condition 7(a) (*Final*

	redemption) and Condition 7(e) (*Early Redemption Amounts*) (but excluding any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, premiums or default interest ("**Excluded Scheduled Principal Amounts**") payable by the Issuer following an Issuer Event of Default but including such amounts (whenever the same arose) following service of an LLP Acceleration Notice) as if the Covered Bonds had not become due and repayable prior to their Final Maturity Date and, if the Final Terms specified that an Extended Due for Payment Date is applicable to the relevant Covered Bonds, as if the maturity date of the Covered Bonds had been the Extended Due for Payment Date.
"**Scottish Declaration of Trust**"	Each declaration of trust in relation to Scottish Mortgage Loans and their Related Security made by the Seller in favour of the LLP pursuant to the Mortgage Sale Agreement substantially in the form set out in Schedule 10 (Form of Scottish Declaration of Trust) thereto.
"**Scottish Mortgage**"	A Mortgage secured over a Scottish Mortgaged Property.
"**Scottish Mortgage Loans**"	A Mortgage Loan secured by a Scottish Mortgage.
"**Scottish Mortgaged Property**"	A Mortgaged Property located in Scotland.
"**Scottish Supplemental Charge**"	Each supplemental assignation in security granted by the LLP in favour of the Security Trustee pursuant to Clause 3.3 (Scottish Trust Security) of the Deed of Charge.
"**Scottish Transfer**"	Each Sasine Transfer and each SLR Transfer.
"**Screen Rate Determination**"	The meaning given in the relevant Final Terms.
"**Secured Creditor**"	The Security Trustee (in its own capacity and on behalf of the other Secured Creditors), the Bond Trustee (in its own capacity and on behalf of the Covered Bondholders), the Covered Bondholders, the Couponholders, the Issuer, the Seller, the Administrator, the Account Bank, the Issuer Account Bank, the Cash Manager, the Swap Providers, the Corporate Services Provider, the Back-Up Administrator Facilitator, the Paying Agents and any other person which becomes a Secured Creditor pursuant to the Deed of Charge.
"**Securities Swap Collateral Account Bank**"	HSBC Bank plc in its capacity as such under the Swap Collateral Account Bank Agreement together with any successor, additional or replacement account bank or any additional or alternative account bank appointed by the LLP from time to time pursuant to a relevant bank account agreement entered into by (amongst others) the LLP, the relevant successor, additional, replacement or alternative account bank and the Security Trustee.
"**Selected Mortgage Loans Offer Notice**"	A notice from the LLP served on the Seller offering to sell Selected Mortgage Loans and their Related Security for an offer price equal to the greater of the then Current Balance of the Selected Mortgage Loans and the Adjusted Required Redemption Amount.
"**Selected Mortgage Loan Repurchase Notice**"	A notice from the Seller served on the LLP accepting an offer set out in a Selected Mortgage Loans Offer Notice.
"**Selected Mortgage Loans**"	Mortgage Loans and their Related Security to be sold by the LLP pursuant to the terms of the LLP Deed having in aggregate the Required Current Balance Amount.
"**Seller**"	Clydesdale Bank PLC and any New Seller.

"**Share Trustee**"	Intertrust Corporate Services Limited, having its registered office at 1 Bartholomew Lane, London, EC2N 2AX.
"**SIX Swiss Exchange**"	SIX Swiss Exchange AG and any successor thereto.
"**SLR Transfer**"	An assignation of Scottish Mortgages registered (or subject to an application for registration) in the Land Register of Scotland to be granted pursuant to the Mortgage Sale Agreement.
"**SONIA**"	The Sterling Overnight Index Average.
"**SONIA Screen Page**"	The Reuters Screen SONIA Page (or, if such page is no longer available, any replacement or successor page showing the relevant information).
"**SONIA Spot Rate**"	With respect to publication on any London Banking Day, the daily Sterling Overnight Index Average (SONIA) published on such London Banking Day (and relating to the immediately preceding London Banking Day) as provided by the administrator of SONIA to authorised distributors and as then published on the SONIA Screen Page (or, if the SONIA Screen Page is unavailable, as otherwise published by such authorised distributors).
"**Specified Currency**"	Subject to any applicable legal or regulatory restrictions, euro, Sterling, U.S. dollars and such other currency or currencies as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Principal Paying Agent and the Bond Trustee and specified in the applicable Final Terms.
"**Specified Denomination**"	Subject to any applicable legal or regulatory restrictions, euro, Sterling, U.S. dollars and such other currency or currencies as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Principal Paying Agent and the Bond Trustee and specified in the applicable Final Terms.
"**Specified Interest Payment Date**"	The meaning given in the applicable Final Terms.
"**Specified Period**"	The meaning given in the applicable Final Terms.
"**Stabilising Manager**"	The meaning given in the applicable Final Terms.
"**Standard Mortgage Documentation**"	The standard documentation, either (a) annexed to the relevant exhibit of the Mortgage Sale Agreement or any update or replacement therefor as the Seller may from time to time introduce acting in accordance with the standards of a reasonable and prudent mortgage lender or (b) referred to in any legal opinion received by the LLP and the Security Trustee as a condition precedent (as set out in the Mortgage Sale Agreement) to the inclusion of New Mortgage Loan Types in the Mortgage Portfolio.
"**Standard Security**"	A heritable security created by a standard security over any interest in land in Scotland in terms of the Conveyancing and Feudal Reform (Scotland) Act 1970.
"**Standard Variable Rate**" or "**SVR**"	As applicable, the relevant standard variable mortgage base rate applicable to owner-occupied Mortgage Loans and/or the relevant standard variable mortgage base rate applicable to Buy-to-Let Mortgage Loans in accordance with the Mortgage Loan Conditions.
"**Sterling Equivalent**"	(a) In relation to a Term Advance which is denominated in (i) a currency other than Sterling, the Sterling equivalent of such amount ascertained using the relevant Covered Bond Swap Rate relating to such Term Advance and (ii) Sterling, the applicable amount in Sterling; and (b) In relation to a Covered Bond which is denominated in (i) a currency other than Sterling, the Sterling equivalent of such amount ascertained

using the relevant Covered Bond Swap Rate relating to such Covered Bond and (ii) Sterling, the applicable amount in Sterling.

"**Subscription Agreement**" An agreement supplemental to the Dealer Agreement (by whatever name called) in or substantially in the form set out in the Dealer Agreement or in such other form as may be agreed between the Issuer, the LLP and the Dealers.

"**Subsidiary**" Any company which is for the time being a subsidiary (within the meaning of Section 1159 of the Companies Act 2006 of Great Britain).

"**Substitution Assets**" Each of:

(a) Sterling gilt-edged securities;

(b) Sterling demand or time deposits provided that in all cases such investments have a remaining period to maturity of one year or less and the short-term unsecured, unguaranteed and unsubordinated debt obligations or, as applicable, the long-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) are rated P-1/Aa3 by Moody's and F1+ by Fitch or their equivalents by two other internationally recognised rating agencies; and

(c) Sterling denominated government and public securities, as defined from time to time in accordance with the RCB Regulations, provided that such investments have a remaining period to maturity of one year or less and which are rated at least Aaa by Moody's and F1+ by Fitch or their equivalents by two other internationally recognised rating agencies,

provided that such Substitution Assets comply with the requirements of Regulation 2(1A) of the RCB Regulations.

"**SVR Interest Rate Swap Provider**" Each provider of an SVR Interest Rate Swap.

"**SVR Interest Rate Swap**" Each swap transaction that is intended to hedge against possible variances in the rates of interest payable on some or all of the Mortgage Loans in the Mortgage Portfolio that are linked to a Standard Variable Rate and a compounded daily SONIA rate.

"**Swap Agreements**" The Covered Bond Swap Agreements together with the Interest Rate Swap Agreements, and each a "**Swap Agreement**".

"**Swap Collateral**" At any time, any asset (including, without limitation, cash and/or securities) which is paid or transferred by a Swap Provider to the LLP as collateral to secure the performance by such Swap Provider of its obligations under the relevant Swap Agreement together with any income or distributions received in respect of such asset and any equivalent of such asset into which such asset is transformed.

"**Swap Collateral Account**" Any account in the name of the LLP held with the Account Bank into which Swap Collateral in respect of the Interest Rate Swap or a Covered Bond Swap may be deposited in accordance with the terms of any applicable Swap Agreement.

"**Swap Collateral Account Bank**" The Cash Swap Collateral Account Bank and/or the Securities Swap Collateral Account Bank.

"**Swap Collateral Account Bank Agreement**" The swap collateral account bank agreement originally entered into on the Initial Programme Date (as amended and/or supplemented and/or restated as at the date of this Prospectus and as further amended and/or restated and/or supplemented from time to time) between, inter alios, the LLP and the Swap Collateral Account Bank.

"**Swap Collateral Ledger**"	The ledger (including any sub-ledgers) maintained by the Cash Manager pursuant to the Cash Management Agreement on the Swap Collateral Account, to record the crediting of any Swap Collateral and any debiting of the same.
"**Swap Collateral Excluded Amounts**"	At any time, the amount of Swap Collateral which may not be applied under the terms of the relevant Swap Agreement at that time in satisfaction of the relevant Swap Provider's obligations to the LLP, including Swap Collateral which is to be returned to the relevant Swap Provider from time to time in accordance with the terms of the Swap Agreements and ultimately upon termination of the relevant Swap Agreement.
"**Swap Provider Default**"	The occurrence of an Event of Default or Termination Event (each as defined in the relevant Swap Agreement) where the relevant Swap Provider is the Defaulting Party or the sole Affected Party (each as defined in the relevant Swap Agreement), as applicable, other than a Swap Provider Downgrade Event.
"**Swap Provider Downgrade Event**"	The occurrence of an Additional Termination Event or an Event of Default (each as defined in the relevant Swap Agreement) following a failure by the Swap Provider to comply with the requirements of the ratings downgrade provisions set out in the relevant Swap Agreement.
"**Swap Providers**"	The Covered Bond Swap Providers and the Interest Rate Swap Providers, and each a "**Swap Provider**".
"**Term Advance**"	Each term advance made by the Issuer to the LLP from the proceeds of Covered Bonds pursuant to the Intercompany Loan Agreement.
"**Title Deeds**"	In relation to each Mortgage Loan and its Related Security and the Mortgaged Property relating thereto, all conveyancing deeds and documents which make up the title to the Mortgaged Property and the security for the Mortgage Loan and all searches and enquiries undertaken in connection with the grant by the Borrower of the related Mortgage.
"**Tracker Interest Rate Swap**"	Each swap transaction that is intended to hedge against possible variances in the rates of interest payable on some or all of the Mortgage Loans in the Mortgage Portfolio that are linked to the BoE base rate and a compounded daily SONIA rate.
"**Tracker Rate Mortgage Loans**"	Mortgage Loans which are subject to a variable rate of interest that is linked to the BoE base rate plus an additional fixed percentage.
"**Transaction Account**"	Any account designated as such in the name of the LLP held with an Account Bank and maintained subject to the terms of the relevant Bank Account Agreement and the Deed of Charge or such other account as may for the time being be in place with the prior consent of the Security Trustee and designated as such.
"**Transaction Documents**"	(a) Mortgage Sale Agreement; (b) each Scottish Declaration of Trust; (c) each Scottish Transfer; (d) Administration Agreement; (e) Asset Monitor Agreement; (f) Intercompany Loan Agreement; (g) LLP Deed;

(h) Cash Management Agreement;

(i) each Interest Rate Swap Agreement;

(j) each Covered Bond Swap Agreement;

(k) Bank Account Agreement;

(l) Issuer Bank Account Agreement;

(m) Swap Collateral Account Bank Agreement;

(n) Corporate Services Agreement;

(o) Deed of Charge (and any documents entered into pursuant to the Deed of Charge, including without limitation each Scottish Supplemental Charge);

(p) Trust Deed;

(q) Agency Agreement;

(r) each set of Final Terms (as applicable in the case of each issue of listed Covered Bonds subscribed pursuant to a subscription agreement);

(s) Master Definitions and Construction Schedule;

(t) each document, agreement or indenture ancillary or supplemental to any of the documents specified in paragraphs (a) to (s) (inclusive) above; and

(u) any other agreement or document from time to time designated as such by the Issuer, the LLP and the Bond Trustee and/or the Security Trustee.

"**Transfer Date**" Each of the First Transfer Date and the date of transfer of any New Mortgage Loans to the LLP in accordance with the Mortgage Sale Agreement.

"**Transfer Order**" The Northern Rock plc Transfer Order 2009, made under Section 8 of the Banking (Special Provisions) Act 2008.

"**Underpayment**" A monthly payment on a Mortgage Loan which is less than the required monthly payment.

"**UK CRA Regulation**" Regulation (EC) No. 1060/2009 as amended and as it forms part of UK domestic law by virtue of the EUWA.

"**UK CRD Regulation**" Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investments firms, as amended before IP completion day as it forms part of domestic law by virtue of the EUWA.

"**UK CRD**" The legislative package consisting of:

(a) the UK CRD Regulation;

(b) the law of the UK or any part of it, which immediately before IP completion day (as defined in the EUWA) implemented Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC and its implementing measures;

	(c) direct EU legislation (as defined in the EUWA), which immediately before IP completion day (as defined in the EUWA) implemented EU CRD as it forms part of domestic law by virtue of the EUWA; and
	(d) those instruments which amend, revoke or supplement any of the legislation referred to in (a) to (c) above subsequent to IP completion day.
"**UK EMIR**"	Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories as amended and as it forms part of UK domestic law by virtue of the EUWA.
"**UK MiFIR**"	Regulation (EU) No 600/2014 as amended and as it forms part of UK domestic law by virtue of the EUWA.
"**UK Prospectus Regulation**"	Regulation (EU) 2017/1129 as amended and as it forms part of the UK domestic law by virtue of the EUWA.
"**UK Benchmarks Regulation**"	Regulation (EU) No. 2016/1011, as amended and as it forms part of the UK domestic law by virtue of the EUWA.
"**VAT**" and "**Value Added Tax**"	Value added tax as imposed by: (a) the United Kingdom under the Value Added Tax Act 1994 and legislation (whether delegated or otherwise) replacing the same or supplemental thereto; or (b) any primary or subordinate legislation promulgated by the European Union or any official body or agency thereof, and (in both cases) any similar turnover tax replacing or introduced in addition to any of the same.
"**VAT Group**"	A group for the purposes of the VAT Grouping Legislation.
"**VAT Grouping Legislation**"	(a) Sections 43 to 43D (inclusive) of VATA and (b) the Value Added Tax (Groups: eligibility) Order 2004 (SI 2004/1931).
"Virgin Money"	Clydesdale Bank PLC trading as Virgin Money.
"Virgin Money Originator"	Virgin Money or any other relevant entity within the Group which originates Mortgage Loans to be sold to the LLP from the Part VII Effective Date.
"**Yield Shortfall Test**"	The test as to whether the aggregate amount of interest on the Mortgage Loans and amounts under the Interest Rate Swap Agreements to be received by the LLP during the Relevant LLP Payment Period would give an annual yield on the Mortgage Loans of at least 0.40 per cent. plus the SONIA Spot Rate published on the final London Banking Day in the previous Calculation Period.
"**Zero Coupon Covered Bonds**"	Covered Bonds which will be offered and sold at a discount to their nominal amount and which will not bear interest.
"**Zurich Banking Day**"	A day on which banks are open in the City of Zurich for the settlement of payments and of foreign exchange transactions.

INDEX OF DEFINED TERMS

£ 7
€ 7
1999 Regulations 172
2012 Act 175
2022 Issuer Audited Financial Statements 10
2022 Issuer Risk Report 10
2023 Issuer Audited Financial Statements 10
2023 Issuer Risk Report 10
30/360 ..... 104, 114
30E/360 115
30E/360 (ISDA) 115
360/360 114
Account Bank 266
Account Bank Ratings 218
Account Bank Remedial Ratings 218, 266
Account Remedial Ratings 266
Accrual Period 104
Accrual Yield 266
Accumulation Series of Covered Bonds 15, 228, 266
Act 251
Actual/360 114
Actual/365 (Fixed) 114
Actual/365 (Sterling) 114
Actual/Actual 114
Actual/Actual (ICMA) 104
Actual/Actual (ISDA) 114
Additional Business Centre 266
Additional Dwelling Supplement 171
Additional Financial Centre 266
Adjusted Aggregate Loan Amount 203
Adjusted Current Balance 203
Adjusted Required Redemption Amount 266
Administration Agreement 266
Administrator 266
Administrator Event of Default 198
Administrator Termination Event 198
Affected Business Day 136
Affected SARON Observation Period 137
Affiliate 267
Agency Agreement 98, 256, 257, 267
Agents 99
AI 48
All Monies Mortgage Consideration 194
All Monies Mortgage Trust 193
All Monies Mortgage Trustee 193
All Monies Mortgages 193
Alternative Base Rate 134
Amortisation Test 267
Amortisation Test Aggregate Loan Amount 206
Amortised Face Amount 124
APIs 38
APMs 162
applicable Final Terms 94, 99
Arrears Adjusted Current Balance 203
ASIC 261
Asset Coverage Test 267
Asset Coverage Test Breach Notice 267
Asset Monitor 267
Asset Monitor Agreement 267
Asset Monitor Report 267
Asset Percentage 206
Asset Pool 267
Assigned Rights 267
Associated Debt 193, 267
AST 176
AT 176
ATM 50
Attributed Moody's Asset Percentage 206
Australian Banking Act 4
Australian Corporations Act 4
Authorised Investments 267
Authorised Signatory 268
Authorised Underpayment 268
Available Principal Receipts 268
Available Revenue Receipts 268
Back-Up Administrator Facilitator 269
Bank Account Agreement 269
Bank Rate 110
Base Rate Modification 134
Base Rate Modification Certificate 134
Base Rate Pledge 269
Base Rate Pledge Period 270
Basel Committee 54
BCAs 31
Bearer Covered Bonds 22
Bearer Definitive Covered Bond 270
Bearer Definitive Covered Bonds 98
Belgian Consumer 261
Beneficial Owner 248
Benefit Plan Investor *254*
Bond Basis 114
Bond Trustee 98
Borrow-back 270
Borrower 270
Brand Licence Agreement 36
Breathing Space Regulations 78
Broken Amount 104
Business Day 106, 270
Business Day Convention 270
Buy-to-Let Mortgage Loan 270
Calculation Agent 106
Calculation Amount 120
Calculation Date 270
Calculation Period 270
Capital Account Ledger 270
Capital Contribution 271
Capital Contribution Balance 271
Capital Contribution in Kind 271
Capital Distribution 271
Capitalised Interest 271
Capped Indemnity 39
Capped Indemnity Deed 39

Cash Borrow-back 242, 271
Cash Capital Contribution 271
Cash Management Agreement 271
Cash Manager 271
Cash Manager Relevant Event 271
Cash Swap Collateral Account Bank 271
Cashflows 217
CBC 264
CBTL 169
CET1 41
CGCB 102
Charged Property 219
Clearing Obligation 86
Clearing System 66
Clearstream, Luxembourg 94, 100
CMA 39, 173
CMA Guidance 174
Code 117
CODE 257
Common Depositary 94
Common Safekeeper 94
Companies Act 272
Compounded Daily SONIA 108
Conditions 1, 99, 147
Corporate Services Agreement 272
Corporate Services Provider 272
Coupon Payment Ledger 272
Couponholders 99
Coupons 99
Covered Bond Guarantee 103
Covered Bond Swap 272
Covered Bond Swap Agreement 272
Covered Bond Swap Observation Period 272
Covered Bond Swap Provider 272
Covered Bond Swap Rate 272
Covered Bondholder 100
Covered Bondholders 99
Covered Bonds ..... i, 98
CRA 172
CRA Regulation 153
CRD IV 272
Current Balance 272
CUSIP 265
Custodian 250
Day Count Fraction 104, 114, 273
d_b 111
DB Scheme 55
d_c 111
Dealer i
Dealer Agreement 255
Dealers ..... i, 255
Deed of Charge 99
Defaulted Mortgage Loan 273
Defaulted Mortgage Loans Notice 273
Deferred Consideration 273
Definitive Covered Bond 273
Definitive Regulation S Covered Bond 273
Definitive Rule 144A Covered Bond 273
Deposit Set-off Balance 205
Designated Account 118
Designated Bank 118
Designated Maturity 106
Designated Member 200
Designated Members 200
Determination Date 273
Determination Period 104
Direct Participants 248
Distance Marketing Regulations 171
Distribution Compliance Period 103
distributor 2, 146
DM Regulations 77
dollars 7
Drawdown Prospectus 1
DTC 96, 100
DTCC 248
Due for Payment 99
Due for Payment Date 273
EAD 28
Earliest Maturing Covered Bond 273
Early Redemption Amount 273
Early Repayment Charge 273
ECB 273
EEA 3, 146
Eligibility Criteria 189
Energy Efficiency Regulations 2015 171
English Mortgage 273
English Mortgage Loan 273
English Mortgaged Property 273
Equity Release Mortgage Loan 189
ERISA 254, 257
Established Rate 120
EU 32
EU assimilated law 32
EU Benchmarks Regulation 57
EU CRA Regulation ii
EU CRR 91
EU EMIR 86
EU Insolvency Regulation 210
EUR 7
EURIBOR 274
euro 7, 121
Eurobond Basis 115
Euroclear 94, 100
Eurozone 6
EUWA ..... i, 147, 260
Excess Proceeds 127
Exchange Act 274
Exchange Date 94
Exchange Event 95, 96
Excluded Scheduled Interest Amounts 274, 289
Excluded Scheduled Principal Amounts 274, 289
Excluded Swap Termination Amount 274
Existing Rate 137
Extended Covered Bonds 236
Extended Due for Payment Date 122
Extension Determination Date 122
Extraordinary Resolution 274
FATCA 252
FATCA Withholding 125
FCA ..... i, 157

FIEA 260
Final Maturity Date 274
Final Redemption Amount 274
Final Terms 1
FinSA 261
First Transfer Date 274
Fitch ..... ii, 153
Fixed Coupon Amount 104
Fixed Interest Period 104
Fixed Interest Rate Swap 274
Fixed Rate Covered Bond 274
Fixed Rate Covered Bond Provisions 275
Fixed Rate Mortgage Loans 275
Floating Rate 106
Floating Rate Convention 105
Floating Rate Covered Bond Provisions 275
Floating Rate Covered Bonds 275
Floating Rate Option 106
FLS 67
Following Business Day Convention 105
foreign passthru payments 252
FSCS Limit 205
FSMA 260
Further Advance 275
GBP 7
Global Covered Bond 98
Guarantee 275
Guarantee Priority of Payments 122, 234
Guaranteed Amount 275
HA 1988 176
Halifax Index 275
Halifax Price Indexed Valuation 275
Help to Buy Mortgage Loan 275
Higher Redemption Amount 275
HMRC 52, 251
HMT 39
HoldCo 276
HVM Originator 19
i 111
ICO 39
IDR 276
IGAs 252, 254
Independent Adviser 112
Indexed Valuation 276
Indirect Participants 248
Initial Mortgage Portfolio 276
Initial Mortgage Portfolio 240
Initial Programme Date 98
Insolvency Event 276
Insurance Contract 277
Insurance Distribution Directive 260
Insurance Mediation Directive 3, 146
Intercompany Loan Agreement 277
Intercompany Loan Ledger 277
Interest Accrual Period 113
Interest Accumulation Ledger 277
Interest Amount 114
Interest Basis 277
Interest Commencement Date 103
Interest Determination Date 277
Interest Payment Date 105
Interest Period 105
Interest Rate Swap 277
Interest Rate Swap Agreement 277
Interest Rate Swap Early Termination Event 214
Interest Rate Swap Provider 277
Interest Shortfall 196
Interest-Only Mortgage Loan 277
Interest-Only Mortgage Loans 241
Investment Company Act *254*
Investor Report 277
Investor's Currency 67
IP completion day 32
IRB 42
ISDA 277
ISDA Definitions 106
ISDA Master Agreement 277
ISDA Rate 106
ISIN 265
Issue Date 277
Issue Price 278
Issuer ..... i, 98
Issuer Acceleration Notice 126
Issuer Account 278
Issuer Account Bank 219
Issuer Account Bank Transfer Events 278
Issuer Bank Account Agreement 278
Issuer Call 278
Issuer Default Rating 276
Issuer Event of Default 126
Issuer Permitted Cash Amount 278
Issuer Risk Reports 10
IT 50
Latest Valuation 278
LBD 280
LBDx 110
LBTT 171
LDR 33
Ledgers 279
LEI 265
Lending Criteria 279
LGD 28
LIBOR 279
Liquidation Member 279
LLP ..... i, 98
LLP 2022 Annual Report 10
LLP 2023 Annual Report 10
LLP Acceleration Notice 128
LLP Accounts 279
LLP Deed 279
LLP Event of Default 128
LLP Monthly Interest Amount 279
LLP Monthly Payment Amount 279
LLP Payment Date 279
LLP Payment Period 279
LLP Profit Ledger 280
LLP Standard Variable Rate 280
LLPA 2000 247
Loan Interest Payment Date 280
Loan Warranties 184

London Banking Day 280
London Stock Exchange ..... i, 280
Long Maturity Covered Bond 118
Loss given Default 28
Losses 280
LT CRA 222
Management Committee 165
Management Committee 280
Margin 280
Margin Obligation 87
Master Definitions and Construction Schedule .. 98, 280
Maximum LTV Amount 203
Maximum Rate of Interest 280
MC Extension Agreement 79, 178
MC Interest-only Agreement 79, 178
MCOB 168
Member 200
Member State 7
Members 200
MHA/CP Documentation 280
MiFID II 2, 146, 260
MiFID Product Governance Rules 2
Minimum Rate of Interest 280
Minimum Redemption Amount 280
Modified Following Business Day Convention. 105
Moody's ..... ii, 153
Mortgage 280
Mortgage Account 280
Mortgage Charter 31, 178
Mortgage Deed 281
Mortgage Loan 281
Mortgage Loan Agreement 281
Mortgage Loan Conditions 281
Mortgage Loan Files 281
Mortgage Payment 281
Mortgage Portfolio 240, 281
Mortgage Sale Agreement 281
Mortgaged Property 281
MREL 42
N Covered Bond 142
N Covered Bond Conditions 142
N Covered Bondholder 142
N Covered Bonds 24
NAB 39, 157
NAB Group 39
Negative Carry Factor 205
Net Promoter Score 282
New Company 139
New Entity 141
New Member 281
New Mortgage Loan 281
New Mortgage Loan Type 281
New Mortgage Loans 240
New Safekeeping Structure 96, 281
New Seller 282
NFC+s 86
NGCB 94, 103
n_i 111
Non-Cash Borrow-back 282
Non-LLP Amounts 282
Notice to Pay 127
NPS 282
NRAM Originator 19
NSS 96
Official List ..... i, 282
Offset Benefit 282
Offset Benefit Contribution Amount 207, 283
Offset Benefit Reserve Ledger 283
Offset Mortgage Loan 283
Ombudsman 80, 176
Open Banking 49
Opening Capital Contribution Balance 283
Optional Redemption Amount 283
Optional Redemption Date 283
Original Due for Payment Date 105
Originator 283
Originators 20
Outstanding 283
p 111
Part VII Effective Date 284
Part VII Transfer 284
Partial Mortgage Portfolio 284
Paying Agents 98
Payment Day 119
PCAs 30
PD 28
Performing Fixed Rate Mortgage Loans 284
Performing Mortgage Loans 284
Performing Tracker Rate Mortgage Loans 284
Pillar 1 requirements 41
Pillar 2A requirements 43
Plevin 169
Post-Enforcement Priority of Payments 237
Potential Issuer Event of Default 142
Potential LLP Event of Default 143
pounds Sterling 7
PRA 6, 157
Pre-Acceleration Principal Priority of Payments 232
Pre-Acceleration Revenue Priority of Payments 229
Pre-Action Protocol 176
Preceding Business Day Convention 106
PRIIPs Regulation 3, 146
Principal Amount Outstanding 105
Principal Ledger 285
Principal Paying Agent 98
Principal Receipts 285
Priorities of Payments 285
Probability of Default 28
Product Switch 285
Programme i
Programme Date 276
Programme Resolution 131
Prospectus 147
PSD2 38
PSR 39
Purchaser 285
QIB ..... ii, 103
Qualified Institutional Buyer 256
RAO 167

Rate of Interest 121
Rating Agencies..... 122
Rating Agency 122
Rating Confirmation 135
Ratings Condition 285
Ratings Confirmation 63, 285
RCB Regulations i
RCB Sourcebook 245
Recommended Adjustment Spread..... 137
Recommended Replacement Rate 138
Recommending Body 138
Record Date 118
Redeemed Covered Bonds..... 123
Reference Banks 286
Reference Price..... 286
Reference Rate..... 134, 286
Register..... 118
Registered Covered Bonds 22, 286
Registered Definitive Covered Bonds 98, 286
Registered Global Covered Bonds..... 96, 100, 286
Registers of Scotland 286
Registrar 98
regulated market of the London Stock Exchange ... i
Regulation Effective Date..... 167
Regulation S ..... ii, 94, 103
Regulation S Covered Bond 286
Regulation S Global Covered Bond 95, 103
Related Person 167
Related Security..... 286
Relevant Calculation Date 207
Relevant Calculation Period 196
Relevant Date 125
relevant Dealers i
relevant entity 44
Relevant Entity 276
Relevant Event..... 193
Relevant Financial Centre..... 286
Relevant LLP Payment Period..... 196
Relevant Screen Page 286
relevant Series of Covered Bonds..... 62
Relevant Time 111, 286
Rent Act..... 286
Renting Homes Act 79, 177
Repayment Mortgage Loan 287
Replacement Rate 137
Repossession Act..... 176
Repurchase Price 190
Required Coupon Amount..... 287
Required Current Balance Amount..... 208
Required Redemption Amount 287
Reserve Fund 287
Reserve Fund Required Amount 288
Reserve Ledger 288
Resolvability Assessment Framework..... 46
Restructuring Plan 89
Revenue Ledger..... 288
Revenue Receipts 288
Right to Buy Mortgage Loans 288
Risk Mitigation Requirements..... 86
Risk Weighted Assets 42
RMBS 31
Rule 144A ..... ii, 103
Rule 144A Global Covered Bond 96, 103
RWAs 42
Sale Proceeds 289
SARON..... 111, 289
SARON Administrator..... 111, 289
SARON Administrator Website..... 112, 289
SARON Benchmark..... 112
SARON Benchmark Event 136
SARON Benchmark Replacement Date 112
SARON Benchmark Transition Event 112
SARON Compounded 111
SARON Observation Look-Back Period 111
SARON Observation Period 111
$SARON_i$ 111
Sasine Transfer 289
Scheduled Interest..... 289
Scheduled Payment Date 289
Scheduled Principal 289
Scottish Declaration of Trust 73, 289
Scottish Mortgage 290
Scottish Mortgage Loans 290
Scottish Mortgaged Property 290
Scottish Sasine Sub Security..... 175
Scottish Sasine Transfer..... 175
Scottish Supplemental Charge 290
Scottish Transfer 290
Screen Rate Determination 290
SCV..... 47
SDLT 170
SEC ii
Secured Creditor 290
Securities Act ..... ii, 103, 256, 257, 258
Securities Swap Collateral Account Bank 290
Security 219
Security Trustee 98
Selected Mortgage Loan Offer Notice 290
Selected Mortgage Loan Repurchase Notice 290
Selected Mortgage Loans..... 290
Selection Date 123
Seller 290
Series..... 98
Series Reserved Matter 143
SFA 4, 146, 261
Share Trustee 290
SIX Swiss Exchange 112, 290
SLR Transfer..... 290
SNB Adjustment Spread 138
SNB Policy Rate 136
SONIA 110, 290
SONIA reference rate 110
SONIA Screen Page..... 291
SONIA Spot Rate..... 291
Specified Currency..... 291
Specified Denomination..... 291
Specified Interest Payment Date 291
Specified Period..... 291
SRR..... 44
Stabilising Manager 291

Standard Mortgage Documentation 291
Standard Security 291
Standard Variable Rate 291
Sterling 7
Sterling Equivalent 291
Subscription Agreement 291
Subsidiary 291
Substitution Assets 292
sub-unit 105
Successor in Business 143
SVR 291
SVR Interest Rate Swap 292
SVR Interest Rate Swap Provider 292
Swap Agreement 292
Swap Agreements 292
Swap Collateral 292
Swap Collateral Account 292
Swap Collateral Account Bank 292
Swap Collateral Account Bank Agreement 292
Swap Collateral Excluded Amounts 292
Swap Collateral Ledger 292
Swap Provider 293
Swap Provider Default 293
Swap Provider Downgrade Event 293
Swap Providers 293
T2 106
Talons 99
TCA 32
Temporary Global Covered Bond 94
Term Advance 293
Terms and Conditions of the Covered Bonds 5
TFS 67
TFSME scheme 34
third party refinancing 185
Title Deeds 293
Tracker Interest Rate Swap 293
Tracker Rate Mortgage Loans 293
Tranche 98
Transaction Account 293
Transaction Documents 293
Transfer Agent 98
Transfer Certificate 101
Transfer Date 294
Transfer Order 294
Treaty 121
Trust Deed 98
U.S. dollars 7
U.S.$ 7
UK 3, 146
UK Benchmarks Regulation ii
UK CRA Regulation ii
UK EMIR 86
UK MiFIR ..... i, 146, 260
UK MiFIR Product Governance Rules 2, 146
UK PRIIPs Regulation 3, 146
UK Prospectus Regulation ..... i, 147
Unauthorised Underpayment 241
Underpayment 294
UTCCR 172
Value Added Tax 295
VAT 295
VAT Group 295
VAT Grouping Legislation 295
Virgin Enterprises 36
Virgin Money 295
Virgin Money Originator 20, 295
VMUK 7
Volcker Rule 92, 147
Winding-up Event 127
WLTT 170
Yield Shortfall Test 197, 295
Zero Coupon Covered Bonds 295
Zurich Banking Day 111, 295

THE ISSUER

Clydesdale Bank PLC
177 Bothwell Street
Glasgow
Scotland
G2 7ER

THE LLP

Eagle Place Covered Bonds LLP
Jubilee House
Gosforth
Newcastle upon Tyne NE3 4PL
United Kingdom

ARRANGERS AND DEALERS

BNP Paribas
16, boulevard des Italiens
75009
Paris
France

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

SECURITY TRUSTEE AND BOND TRUSTEE

HSBC Corporate Trustee Company (UK) Limited
8 Canada Square
London E14 5HQ
United Kingdom

PRINCIPAL PAYING AGENT, REGISTRAR AND TRANSFER AGENT

HSBC Bank plc
8 Canada Square
London E14 5HQ

PAYING AGENT

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

LEGAL ADVISERS

To the Issuer, the LLP and the Seller as to English and United States law:

Allen Overy Shearman Sterling LLP
One Bishops Square
London E1 6AD
United Kingdom

To the Issuer, the LLP and the Seller as to Scots law:

Shepherd and Wedderburn LLP
9 Haymarket Square
Edinburgh
EH3 8FY

To the Arrangers, the Dealers and to the Security Trustee and the Bond Trustee as to English and United States law:

Freshfields Bruckhaus Deringer LLP
100 Bishopsgate
London EC2P 2SR
United Kingdom

AUDITORS TO THE ISSUER AND THE LLP

Ernst & Young LLP
1 More London Place
London SE1 2AF
United Kingdom