Leeds Building Society

(*incorporated in England and Wales under the Building Societies Act 1986, as amended)*
Legal entity identifier (LEI): O8VR8MK4M5SM9ZVEFS35

€7 billion
Global Covered Bond Programme
unconditionally and irrevocably guaranteed as to payments of interest and principal by

Leeds Building Society Covered Bonds Limited Liability Partnership

(a limited liability partnership incorporated in England and Wales)

Under this €7 billion covered bond programme (the **Programme**), Leeds Building Society (the **Issuer**) 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 Dealer at the time of issue in accordance with prevailing market conditions.

Leeds Building Society Covered Bonds Limited Liability Partnership (the **LLP**) has guaranteed payments of interest and principal under the Covered Bonds pursuant to a guarantee which is secured over the Portfolio (as defined below) and its other assets. Recourse against the LLP under its guarantee is limited to the Portfolio and such assets.

Covered Bonds may be issued in bearer or registered form. The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed €7 billion (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described 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 appointed under the Programme from time to time by the Issuer (each, a **Dealer** and together, the **Dealers**), which appointment may be in relation to a specific issue or on an ongoing basis. References in this Prospectus (as defined below) 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.

See "*Risk Factors*" on page 21 of this Prospectus for a discussion of certain factors to be considered in connection with an investment in the 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 it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020, the **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 by the FCA should not be considered as an endorsement of the Issuer, 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 12 months from 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 (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 it forms part of domestic law by virtue of the EUWA (**UK MiFIR**). References in this Prospectus to Covered Bonds being "listed" (and all related references) 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 (**Final Terms**) 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 (as supplemented at the relevant time, if applicable) is valid for 12 months from its date in relation to Covered Bonds which are to be admitted to trading on a regulated market in the United Kingdom (the **UK**) and/or offered to the public in the UK other than in circumstances where an exemption is available under Article 1(4) and/or 3(2) of the UK Prospectus Regulation or Section 86 of the Financial Services and Markets Act 2000 (**FSMA**). The requirement to publish a prospectus under the FSMA only applies to Covered Bonds (which are admitted to trading on a UK regulated market as defined in UK MiFIR and/or offered to the public in the UK) other than in circumstances where an exemption is available under Section 86 of the FSMA. 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.

On 1 May 2009, the Issuer was admitted to the register of issuers and the Programme (and the Covered Bonds previously issued under the Programme) was 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) (the **RCB Regulations**).

The Covered Bonds and the Covered Bond Guarantee (as defined below) have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), or the securities laws or ""blue sky"" laws of any state or other jurisdiction of the United States or other territory, and may not be offered, sold or delivered in the United States or to or for the account or benefit of any U.S. persons unless such securities are registered under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable local, state or federal securities laws. 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 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 Terms and 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 (as defined below) of Covered Bonds issued under the Programme will have the rating set out in the applicable Final Terms as assigned by Moody's Investor Services Limited (**Moody's**) and Fitch Ratings Ltd (**Fitch**). 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 and/or Moody's, each of which is a credit rating agency established in the UK and is 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. The ratings issued by Fitch and Moody's have been endorsed by Moody's Deutschland GmbH and Fitch Ratings Ireland Limited respectively in accordance with Regulation (EC) 1060/2009 (the **EU CRA Regulation**). Each of Moody's Deutschland GmbH and Fitch Ratings Ireland Limited is established in the European Union (the **EU**) 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 from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Economic Area (**EEA**) and registered under the EU CRA Regulation

unless the rating is provided by a credit rating agency operating in the EU before 7 June 2010 which has submitted an application for registration in accordance with the EU CRA Regulation and such registration is not refused. Such general restriction will also apply in the case of credit ratings issued by credit rating agencies that are not established in the EEA, 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 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

Amounts payable on Floating Rate Covered Bonds may be calculated by reference to one of EURIBOR or SONIA as specified in the relevant Final Terms. As at the date of this Prospectus, the administrator of EURIBOR (European Money Markets Institute) is included in the register of benchmark administrators established and maintained by the FCA in accordance with Article 36 of Regulation (EU) No. 2016/1011 as it forms part of domestic law by virtue of the EUWA (the **UK Benchmarks Regulation**). The administrator of SONIA (the Bank of England) is not included in the FCA's register of administrators under Article 36 of the UK Benchmarks Regulation. As far as the Issuer is aware, the Bank of England, as administrator of SONIA is exempt under Article 2 of the UK Benchmarks Regulation but has issued a statement of compliance with the principles for financial benchmarks issued in 2013 by the International Organisation of Securities Commission.

Arrangers for the Programme

BARCLAYS HSBC

The date of this Prospectus is 20 December 2022

This Prospectus has been approved by the FCA as a base prospectus for the purposes of Article 8 of the UK Prospectus Regulation and has been published in accordance with the prospectus rules made under the FSMA. This Prospectus is not a prospectus for the purposes of Section 12(a)(2) or any other provision or order under the Securities Act.

The Issuer and the LLP (each a Responsible Person) each accept responsibility for the information contained in this Prospectus (the Prospectus) including the Final Terms relating to each Tranche of Covered Bonds issued under the Programme. 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 the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Copies of each set of Final Terms in relation to Covered Bonds issued on the London Stock Exchange and to be admitted to the Official List 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 in "*Terms and Conditions of the Covered Bonds*") copies of such documents may, at the Paying Agent's option be provided electronically and will also be published on the website of the London Stock Exchange through a regulatory information service.

This Prospectus is to be read in conjunction with any supplements hereto, all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*" below) and any Final Terms. This Prospectus shall, save as specified herein, be read and construed on the basis that such documents are so incorporated and form part of this Prospectus.

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Documents 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.

The information contained in this Prospectus was obtained from the Issuer and other sources, but no assurance can be given by the Arrangers, the Dealers, the Principal Paying Agent, the Agent Bank, the Registrar, the Transfer Agent, the Exchange Agent, the Bond Trustee or the Security Trustee as to the accuracy or completeness of this information. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arrangers, the Dealers, the Principal Paying Agent, the Agent Bank, the Registrar, the Transfer Agent, the Exchange Agent, the Bond Trustee or the Security Trustee as to (i) the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer and the LLP in connection with the Programme or (ii) any other statement, made or proposed to be made by any of the Arrangers, the Dealers, the Principal Paying Agent, the Agent Bank, the Registrar, the Transfer Agent, the Exchange Agent, the Bond Trustee or the Security Trustee or on its behalf in connection with the Issuer, the LLP or the issue and/or offering of any Covered Bonds. Neither the Arrangers, the Dealers, the Principal Paying Agent, the Agent Bank, the Registrar, the Transfer Agent, the Exchange Agent, the Bond Trustee nor the Security Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer and the LLP in connection with the Programme. Accordingly, each of the Arrangers, the Dealers, the Principal Paying Agent, the Agent Bank, the Registrar, the Transfer Agent, the Exchange Agent, the Bond Trustee and the Security Trustee disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement or information.

No person is or has been authorised by the Issuer, the Seller, the LLP, any of the Arrangers, any of the Dealers, the Principal Paying Agent, the Agent Bank, the Registrar, the Transfer Agent, the Exchange Agent, the Bond Trustee or the Security Trustee to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Programme or the Covered Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Seller, the LLP, any of the Arrangers, any of the Dealers, the Principal Paying Agent, the Agent Bank, the Registrar, the Transfer Agent, the Exchange Agent, the Bond Trustee or the Security Trustee.

Neither this Prospectus nor any other information supplied in connection with the Programme or any Covered Bonds (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the LLP, the Seller, any of the Arrangers, any of the Dealers, the Principal Paying Agent, the Agent Bank, the Registrar, the Transfer Agent, the Exchange Agent, the Bond Trustee or the Security Trustee that any recipient of this Prospectus or any other information supplied in connection with the Programme or any Covered Bonds should purchase any Covered Bonds. Each investor contemplating purchasing any Covered Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the LLP. Neither this Prospectus nor any other information supplied in connection with the Programme or the issue of any Covered Bonds constitutes an offer or invitation by or on behalf of the Issuer, the LLP, the Seller, any of the Arrangers, any of the Dealers, the Principal Paying Agent, the Agent Bank, the Registrar, the Transfer Agent, the Exchange Agent, the Bond Trustee or the Security Trustee to any person to subscribe for or to purchase any Covered Bonds.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Covered Bonds shall in any circumstances imply that the information contained herein concerning the Issuer and/ or the LLP and/or the Seller is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct at any time subsequent to the date indicated in the document containing the same. The Arrangers, the Dealers, the Principal Paying Agent, the Agent Bank, the Registrar, the Transfer Agent, the Exchange Agent, the Bond Trustee and the Security Trustee expressly do not undertake to review the financial condition or affairs of the Issuer, the LLP or the Seller during the life of the Programme or to advise any investor in the Covered Bonds of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Prospectus when deciding whether or not to purchase any Covered Bonds.

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 of the United States or other territory. 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 United States persons, except in certain transactions permitted by U.S. Treasury regulations (see "*Subscription and Sale and Transfer and Selling Restrictions*" below). Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended and the U.S. Treasury regulations promulgated thereunder.

As set forth in the applicable Final Terms, the Covered Bonds are being offered and sold (a): to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act (Rule 144A) (QIBs) and/or (b) to non-U.S. persons in offshore transactions in accordance with Regulation S under the Securities Act (Regulation S) transactions. Prospective purchasers are hereby notified that the 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.

IMPORTANT – PROHIBITION OF SALES TO EEA RETAIL INVESTORS – If the Final Terms in respect of any Covered Bonds include a legend entitled "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 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 Directive 2014/65/EU (as amended, MiFID II); or (ii) a customer within the meaning of Directive (EU) 2016/97 (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; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the EU Prospectus Regulation). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the EU PRIIPs Regulation) for offering or selling the Covered Bonds or otherwise making them 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 EU PRIIPs Regulation.

IMPORTANT – PROHIBITION OF SALES TO UK RETAIL INVESTORS – If the Final Terms in respect of any Covered Bonds include a legend entitled "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 (the 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 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 UK MiFIR; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of 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.

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 outlines 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 Product Governance rules under EU Delegated Directive 2017/593 (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 Arranger 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 outlines 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 neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Covered Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Covered Bonds may be restricted by law in certain jurisdictions. The Issuer, the LLP, the Arrangers, the Dealers, the Principal Paying Agent, the Agent Bank, the Registrar, the Transfer Agent, the Exchange Agent, the Bond Trustee and the Security Trustee do not represent that this Prospectus may be lawfully distributed, or that any Covered Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the LLP, the Arrangers, the Dealers, the Principal Paying Agent, the Agent Bank, the Registrar, the Transfer Agent, the Exchange Agent, the Bond Trustee or the Security Trustee which would permit a public offering of any Covered Bonds or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Covered Bonds may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Covered Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Covered Bonds. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Covered Bonds in the United States, the European Economic Area, the UK and the Republic of Italy (see "*Subscription and Sale and Transfer and Selling Restrictions*").

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.

This Prospectus has been prepared on the basis that any offer of Covered Bonds in the UK will be made pursuant to an exemption under the UK Prospectus Regulation, from the requirement to publish a prospectus for offers of Covered Bonds. Accordingly any person making or intending to make an offer in the UK, of Covered Bonds which are the subject of an offering contemplated in this Prospectus as completed by the applicable Final Terms in relation to the offer of those Covered Bonds may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the UK Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Covered Bonds in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

All references in this document to "Sterling" and "£" refer to the lawful currency for the time being of the UK of Great Britain and Northern Ireland, references to "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended, references to "U.S. Dollars", "U.S.$", and "$" refer to the lawful currency for the time being of the United States of America and references to "Yen", "JPY" and "¥" refer to the lawful currency for the time being of Japan.

In connection with the issue of any Tranche of Covered Bonds, one or more relevant Dealers acting as stabilising manager (each a Stabilising Manager) (or persons acting on behalf of any Stabilising Manager(s)) may over-allot Covered Bonds (provided that, in the case of any Tranche of Covered Bonds to be admitted to trading on the main market of the London Stock Exchange, the aggregate principal

amount of Covered Bonds allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant Tranche) 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 necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Covered Bonds is made and, if begun, may be ended 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 relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

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 the risks involved.

The Covered Bonds may not be a suitable investment for all investors. Each potential investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- **have sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, the merits and risks of investing in the Covered Bonds and the information contained or incorporated by reference in this Prospectus or any applicable supplement and the applicable Final Terms;**
- **have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Covered Bonds and the impact the Covered Bonds will have on its overall investment portfolio;**
- **have sufficient financial resources and liquidity to bear all of the risks of an investment in the 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 potential investor's currency;**
- **understand thoroughly the terms of the Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and**
- **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.**

Some Covered Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Covered Bonds which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Covered Bonds will perform under changing conditions, the resulting effects on the value of the 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 (1) Covered Bonds are legal investments for it, (2) Covered Bonds can be used as collateral for various types of borrowing, (3) Covered Bonds can be

used as repo-eligible securities, (4) other restrictions apply to its purchase or pledge of any Covered Bonds and (5) the Covered Bonds may be treated as liquid assets. Financial institutions 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 have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Prospectus. Any representation to the contrary is unlawful.

None of the Arrangers, the Dealers, the Issuer, the LLP, the Security Trustee or the Bond Trustee makes any representation to any investor in the Covered Bonds regarding the legality of its investment under any applicable laws. Any investor in the Covered Bonds should be able to bear the economic risk of an investment in the Covered Bonds for an indefinite period of time.

The Covered Bonds will not represent an obligation or be the responsibility of any of the Arrangers, the Dealer(s), 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 capacities 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 or incorporators.

U.S. INFORMATION

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

This Prospectus is being provided on a confidential basis in the United States to a limited number of QIBs 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, 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) only to QIBs in transactions exempt from or not subject to the registration requirements under the Securities Act and any applicable local, state or federal securities laws. Each U.S. purchaser of Registered Covered Bonds is hereby notified that the offer and sale of any Registered Covered Bonds to it may be being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act or Section 4(a)(2) of the Securities Act.

Each purchaser or holder of Covered Bonds represented by a Rule 144A Global Covered Bond (as defined under "*Form of the Covered Bonds*") or any Covered Bonds issued in registered form in exchange or substitution therefor (together Legended Covered Bonds) will be deemed, by its acceptance or purchase of any such Legended Covered Bonds, 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.

Notwithstanding anything herein to the contrary, investors (and each employee, representative or other agent of the investors) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the offering and all materials of any kind (including opinions or other tax analyses) that are provided to the investors relating to such tax treatment and tax structure (as such terms are defined in Treasury Regulation Section 1.6011-4). This authorisation of tax disclosure is retroactively effective to the commencement of discussions between the Issuer, the Dealers of their respective representations and a prospective investor regarding the transactions contemplated herein.

FORWARD-LOOKING STATEMENTS

This Prospectus contains various forward-looking statements regarding events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of Leeds Building Society and its consolidated subsidiaries undertakings (collectively, the Leeds Group) to differ materially from the information presented herein. When used in this Prospectus, the words "estimate", "project", "intend", "anticipate", "believe", "expect", "should" and similar expressions, as they relate to the Leeds Group and its management, are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak on the date hereof. The Leeds Group does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a building society organised under the laws of England and Wales and the LLP is a limited liability partnership organised under the laws of England and Wales. All of the officers and directors named herein reside outside the United States and all or a substantial portion of the assets of the Issuer and the LLP and of such officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside England and Wales (as applicable) upon the Issuer, the LLP or such persons, or to enforce judgments against them obtained in courts outside England and Wales (as applicable) predicated upon civil liabilities of the Issuer or such directors and officers under laws other than English laws (as applicable), including any judgment predicated upon United States federal securities laws. The Issuer has been advised by Allen & Overy LLP, its counsel, that there is doubt as to the enforceability in England and Wales in original actions or in actions for the enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

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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.

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

Issuer:	Leeds Building Society
Guarantor:	Leeds Building Society Covered Bonds Limited Liability Partnership
Regulated Covered Bonds:	On 1 May 2009, the Issuer was admitted to the register of issuers and the Programme (and the Covered Bonds previously issued under the Programme) was admitted to the register of regulated covered bonds. https://www.fca.org.uk/firms/regulated-covered-bonds/register[1]
Nature of eligible property:	Residential mortgage loans, Substitution Assets up to the prescribed limit and Authorised Investments
Location of eligible residential property underlying Loans:	England, Wales, Scotland and Northern Ireland
Maximum True Balance to Indexed Valuation ratio given credit under the Asset Coverage Test:	75 per cent.
Maximum Asset Percentage:	93.5 per cent.
Asset Coverage Test:	As set out on page 169
Amortisation Test:	As set out on page 173
Statutory minimum overcollateralisation:	The eligible property in the Asset Pool must be more than 108 per cent. of the Principal Amount Outstanding of the Covered Bonds
Extended Maturities:	Available
Hard Bullet Maturities:	Not Available
Asset Monitor:	Deloitte LLP
Asset Pool Monitor	Deloitte LLP
Asset Segregation:	Yes

[1] The content of this website does not form part of this Prospectus.

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

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and filed with the FCA (or its predecessor the Financial Services Authority) shall be deemed to be incorporated in, and to form part of, this Prospectus:

(a) the Issuer's annual report which includes the audited consolidated financial statements of the Leeds Group as set out on pages 162 to 241 and the glossary of terms as set out on pages 244 to 248 for the year ended 31 December 2021, and as set out on pages 126 to 203 and the glossary of terms as set out on pages 207 to 210 for the year ended 31 December 2020 (including the auditor's reports thereon and the notes thereon);

(b) the unaudited condensed, consolidated interim financial report of the Issuer and the Leeds Group as set out on pages 17 to 46 dated 30 June 2022;

(c) the audited non-consolidated annual accounts of the LLP for the financial year ended 31 December 2021 and the financial year ended 31 December 2020; and

(d) the sections entitled "Terms and Conditions of the Covered Bonds" set out in the prospectus dated 2 October 2008, the prospectus dated 2 October 2009 (as supplemented on 4 August 2010), the prospectus dated 4 October 2010 (as supplemented on 26 May 2011), the prospectus dated 15 December 2011 (as supplemented on 14 March 2012), the prospectus dated 21 December 2012, the prospectus dated 9 December 2013 (as supplemented on 10 September 2014), the prospectus dated 23 December 2014, the prospectus dated 27 November 2015, the prospectus dated 30 January 2017 (as supplemented on 14 June 2017), the prospectus dated 5 December 2017, the prospectus dated 6 December 2018 (as supplemented on 6 March 2019), the prospectus dated 12 December 2019, the prospectus dated 15 December 2020 and the prospectus dated 14 December 2021 (as supplemented on 9 September 2022) (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 prospectus dated 2 October 2008, the prospectus dated 2 October 2009 (as supplemented on 4 August 2010), the prospectus dated 4 October 2010 (as supplemented on 26 May 2011), the prospectus dated 15 December 2011 (as supplemented on 14 March 2012), the prospectus dated 21 December 2012, the prospectus dated 9 December 2013 (as supplemented on 10 September 2014), the prospectus dated 23 December 2014, the prospectus dated 27 November 2015, the prospectus dated 30 January 2017 (as supplemented on 14 June 2017), the prospectus dated 5 December 2017, the prospectus dated 6 December 2018 (as supplemented on 6 March 2019), the prospectus dated 12 December 2019, the prospectus dated 15 December 2020 and the prospectus dated 14 December 2021 (as supplemented on 9 September 2022) are not relevant for prospective investors,

save that any statement contained herein or any of the documents incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement (whether expressly, by implication or otherwise), provided that such modifying or superseding statement is made by way of a supplement to this Prospectus pursuant to Article 23 of the UK Prospectus Regulation. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Any information not listed above but included in the documents incorporated by reference is either not relevant for an investor or is covered elsewhere in this Prospectus.

Documents that are themselves incorporated by reference in any of the documents incorporated by reference above shall not be incorporated in, or form part of, this Prospectus.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Prospectus.

The Issuer and the LLP will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Written requests for such documents should be directed to the Issuer at 26 Sovereign Street, Leeds, West Yorkshire, LS1 4BJ, marked for the attention of Treasury or (as applicable) the LLP, at its principal office as set out at the end of this Prospectus.

The Issuer and the LLP have each undertaken to the Arrangers and the Dealers in the Programme Agreement to comply with section 81 of the FSMA. In the event that a supplementary prospectus is produced pursuant to such undertaking, a copy of such supplementary prospectus will accompany this Prospectus.

Copies of the documents incorporated by reference in this Prospectus will be available for viewing (i) at the offices of the Issuer at Leeds Building Society, 26 Sovereign Street, Leeds, West Yorkshire, LS1 4BJ and (ii) 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. Please note that any website and its contents which is referred to in this Prospectus, in any supplement hereto or in any document incorporated or deemed to be incorporated by reference in this Prospectus, does not form part of this Prospectus.

The documents to be incorporated by reference herein listed in paragraphs (a) to (d) above can be viewed online at https://www.leedsbuildingsociety.co.uk/treasury/#.

To the extent that any document incorporated by reference in this Prospectus incorporates further information by reference, such further information does not form part of this Prospectus.

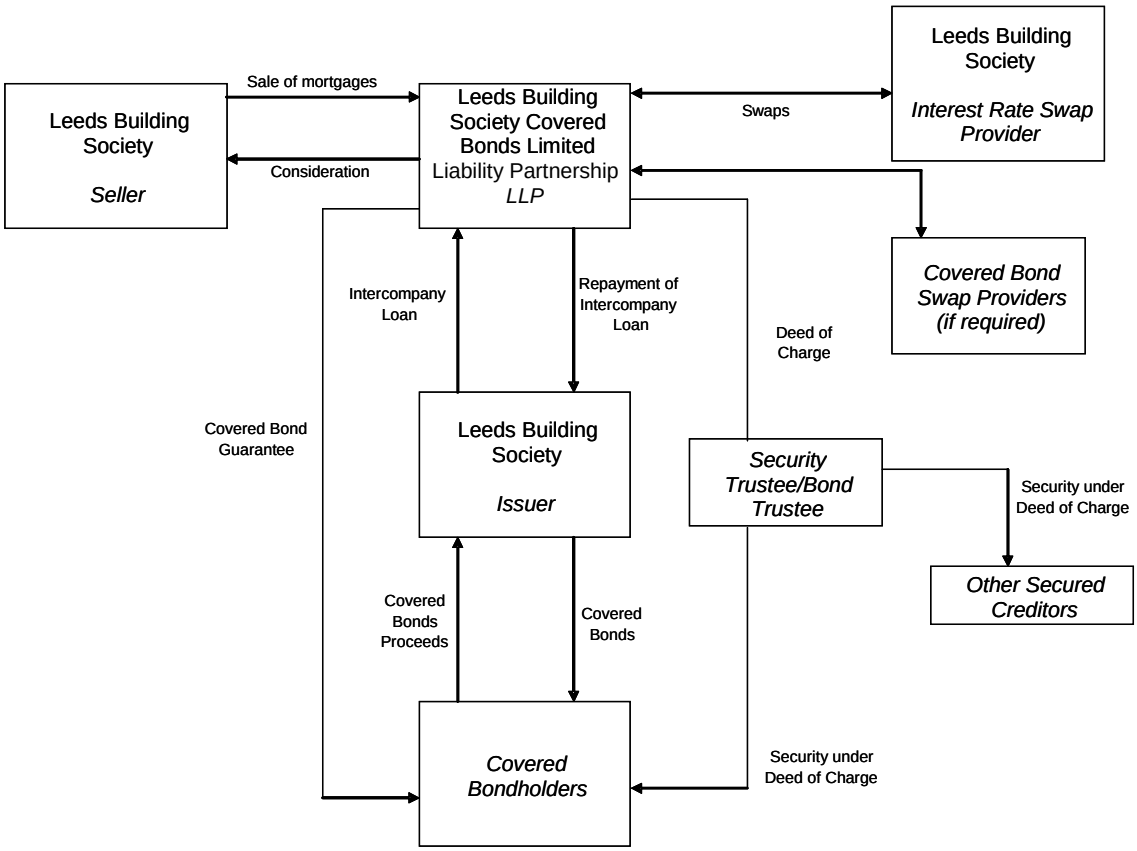
If the terms of the Programme are modified or amended in a manner which would make this Prospectus inaccurate or misleading or, in the event of any material mistake or inaccuracy which is capable of affecting the assessment of any Covered Bonds, a supplement to this Prospectus or a new Prospectus will be prepared for use in connection with any subsequent issue of Covered Bonds.

STRUCTURE OVERVIEW

This Structure Overview must be read as an introduction to this Prospectus and any decision to invest in any Covered Bonds should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference. Following the implementation of the relevant provisions of the UK Prospectus Regulation, no civil liability will attach to any Responsible Person in the UK in respect of this Structure Overview unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.

Words and expressions defined elsewhere in this Prospectus have the same meanings in this Structure Overview. A glossary of certain defined terms used in this document is contained at the end of this Prospectus.

Structure Diagram



Structure Overview

- *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, unsecured and unconditional obligations of the Issuer.

- *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 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 amounts owed by the LLP under the Covered Bond Guarantee.

- *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. Subject as provided in the Trust Deed, 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 Issuer Acceleration Notice is served, each Covered Bond of each Series shall thereupon immediately become due and repayable as against the Issuer (but not, for the avoidance of doubt, against the LLP under the Covered Bond Guarantee). 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.

- *The proceeds of Term Advances*: The LLP will 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): (i) to purchase 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 up to but 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 and thereafter may be applied by the LLP: (a) to purchase 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 (as described below)) to make a Capital Distribution to a Member; and/or (d) if an existing Series and/or Tranche, or part of an existing Series and/or Tranche, of Covered Bonds is being refinanced (by the issue of a further Series and/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 GIC Account or, as applicable, the Stand-by GIC Account and/or (if so directed by the Issuer) in the LBS Reserve Fund Account (including, without limitation, to fund the Reserve Funds up to an amount not

exceeding, as applicable, the Reserve Fund Required Amount or the LBS Reserve Fund Required Amount). To protect the value of the Portfolio under the terms of the LLP Deed, the LLP and the Seller will be obliged to ensure that the Asset Coverage Test (as described below) will be satisfied on each Calculation Date.

- *Consideration*: Under the terms of the Mortgage Sale Agreement, the consideration payable to the Seller for the sale of 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 True Balance of the Loans sold by the Seller as at the relevant Transfer Date and the cash payment (if any) paid by the LLP) and (iii) Deferred Consideration.

- *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 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.

- *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 apply:

  (a) 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 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 the Interest Rate Swap Provider and the Covered Bond Swap Providers). For further details of the Pre-Acceleration Revenue Priority of Payments, see "*Cashflows*" below; and

  (b) 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 Loans and their Related Security offered by the Seller to the LLP). 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 on the LLP 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, while 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, 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 GIC Account or, as applicable, the Stand-by GIC Account after exchange (if required) in accordance with the relevant Covered Bond Swap (see "*Cashflows*" below).

Following 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 Third Party Amounts and Swap Collateral) 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 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 7 (*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).

- *Interest Accumulation Ledger:* In relation to each Series of Covered Bonds that does not have: (a) 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 Amounts 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.

- *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 Seller 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 (subject to the Bond Trustee having actual knowledge or express notice of such breach) 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;

(b) the LLP will be required to sell Selected 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.

- *Amortisation Test*: In addition, following 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) and, for so long as Covered Bonds remain outstanding, the LLP and the Seller 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 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 the Security Trustee may enforce the Security over the Charged Property.

- *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 one year later 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 amount 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 4.

- *Coupon Pre-funding*: If a Cash Manager Relevant Event occurs and is continuing, the Seller in its capacity as a Member of the LLP will (a) within 10 London Business Days of the occurrence of the Cash Manager Relevant Event and, (b) thereafter, if a Required Coupon Amount Shortfall exists, within one London Business Day of receipt of notification of each Required

Coupon Amount Shortfall, make a Cash Capital Contribution to the LLP in an amount equal to the Required Coupon Amount or the Required Coupon Amount Shortfall, as the case may be.

While a Cash Manager Relevant Event is continuing (but prior to the service of a Notice to Pay or an LLP Acceleration Notice on the LLP) the LLP will, on each LLP Payment Date, to the extent of Available Revenue Receipts (taking into account amounts to be paid in priority to any credit to the Coupon Payment Ledger) fund the Coupon Payment Ledger in an amount up to the Required Coupon Amount.

- *Servicing*: In its capacity as Servicer, Leeds Building Society has entered into the Servicing Deed with the LLP and the Security Trustee, pursuant to which the Servicer has agreed to provide certain services in respect of the Loans and their Related Security sold by Leeds Building Society (in its capacity as Seller) to the LLP.

- *The Regulated Covered Bonds Regulations 2008*: On 1 May 2009, the Issuer was admitted to the register of issuers and the Programme (and the Covered Bonds previously issued under the Programme) was admitted to the register of regulated covered bonds.

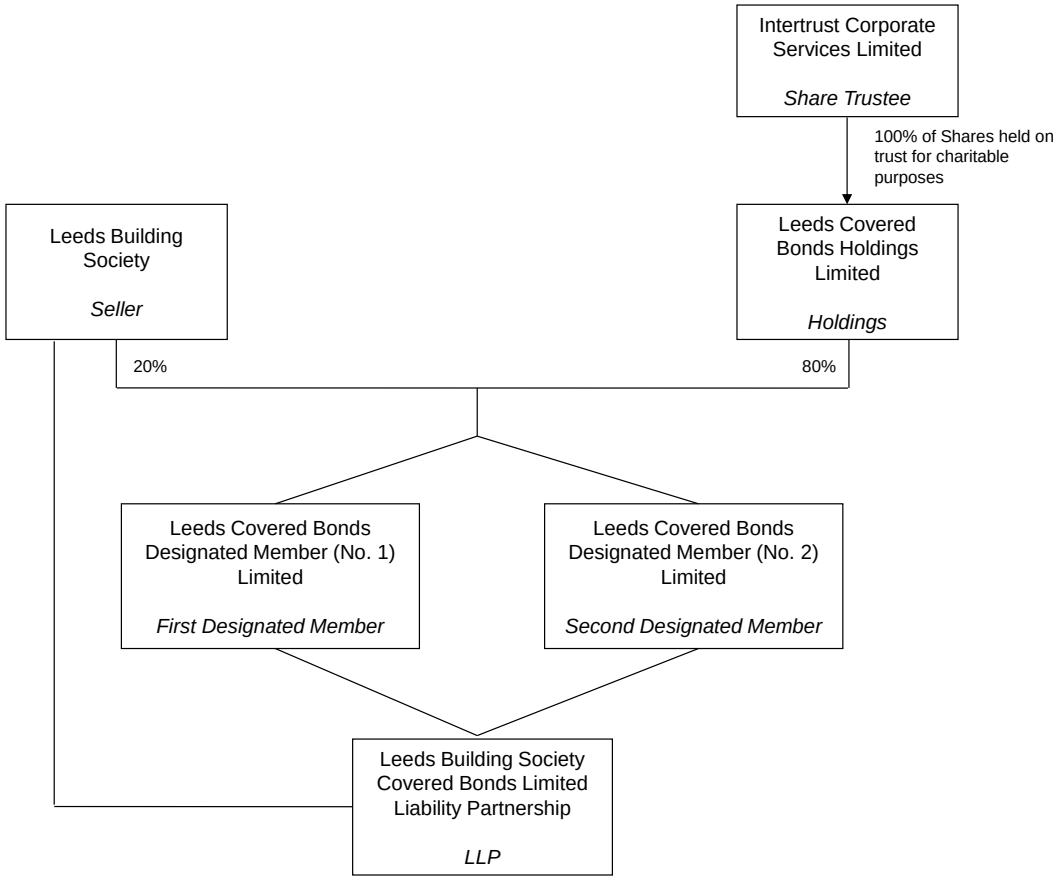
- *Further Information*: For a more detailed description of the transactions summarised above relating to the Covered Bonds see, among other relevant sections of this Prospectus, "*Overview of the Programme*", "*Terms and Conditions of the Covered Bonds*", "*Summary of the Principal Documents*", "*Credit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

Ownership Structure of Leeds Building Society Covered Bonds Limited Liability Partnership

- As at the date of this Prospectus, the Members of the LLP are the Seller, the First Designated Member and the Second Designated Member.

- A New Member may be admitted to the LLP, subject to meeting certain conditions precedent including, but not limited to, written confirmation from the Rating Agencies 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 LLP Management Committee (consisting of, as at the date of this Prospectus, two directors and/or employees of the First Designated Member, two directors and/or employees of the Second Designated Member and one director and/or officer and/or employee of the Seller) will manage and conduct the business of the LLP and will have all of the rights, power and authority to act at all times for and on behalf of the LLP.



OVERVIEW 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 or Tranche of Covered Bonds, the applicable Final Terms. Words and expressions defined elsewhere in this Prospectus have the same meanings in this overview. A glossary of certain defined terms is contained at the end of this Prospectus.

Issuer:	Leeds Building Society (the **Society**), incorporated in England and Wales under the Building Societies Act 1986 (as amended) (the **Building Societies Act**) (which expression shall include, where applicable, any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under any statutory modification or re-enactment). For a more detailed description of the Issuer see "*The Issuer*", below.
Issuer Legal Entity Identifier (LEI):	O8VR8MK4M5SM9ZVEFS35
Website of the Issuer	https://www.leedsbuildingsociety.co.uk/
LLP:	Leeds Building Society Covered Bonds Limited Liability Partnership, a limited liability partnership incorporated in England and Wales (partnership no. OC340174). The Members of the LLP as at the date of this Prospectus are the Seller, the First Designated Member and the Second Designated Member. The LLP is a special purpose vehicle whose business is to acquire, *inter alia*, 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 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 service on the LLP of an 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.
Seller:	The Society, which is in the business of originating and acquiring residential mortgage loans and conducting other building society related activities. For a more detailed description of the Society, see "*The Issuer*", below.

Servicer:	Pursuant to the terms of the Servicing Deed, the Society has been appointed to service, on behalf of the LLP, the Loans and Related Security sold by the Seller.
Cash Manager:	The Society 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:	Deutsche Bank AG, London Branch, acting through its offices at Winchester House, 1 Great Winchester Street, London EC2N 2DB has been appointed pursuant to the Agency Agreement as Issuing and Principal Paying Agent and Agent Bank.
Exchange Agent and Transfer Agent:	Deutsche Bank Trust Company Americas, acting through its offices at c/o Deutsche Bank National Trust Company, 1761 East St. Andrew Place, Santa Ana, California 92705-4934 has been appointed pursuant to the Agency Agreement as Exchange Agent and Transfer Agent.
Paying Agent:	Deutsche Bank Trust Company Americas, acting through its offices at c/o Deutsche Bank National Trust Company, 1761 East St. Andrew Place, Santa Ana, California 92705-4934 has been appointed pursuant to the Agency Agreement as Paying Agent.
Bond Trustee:	Deutsche Trustee Company Limited, whose registered office is at Winchester House, 1 Great Winchester Street, London EC2N 2DB 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 terms of the Trust Deed.
Registrar:	Deutsche Bank Trust Company Americas, acting through its offices at c/o Deutsche Bank National Trust Company, 1761 East St. Andrew Place, Santa Ana, California 92705-4934 has been appointed pursuant to the Agency Agreement as Registrar.
Security Trustee:	Deutsche Trustee Company Limited, whose registered office is at Winchester House, 1 Great Winchester Street, London EC2N 2DB 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) under the Deed of Charge.
Asset Monitor:	A reputable institution acceptable to the Rating Agencies appointed 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. As at the date of this Prospectus, the Asset Monitor is Deloitte LLP.

Asset Pool Monitor:	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 falling on or after 1 January 2013. (See "*Description of the UK Regulated Covered Bond Regime*", below). The Asset Monitor has also been appointed as the asset pool monitor for the purposes of the RCB Regulations.
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 Loans and the Interest Rate Swap and amounts payable by the LLP under the Intercompany Loan Agreement (prior to the service of a Notice to Pay or an LLP Acceleration Notice) 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 the Covered Bond Swap Agreements. In the event that the ratings of a Covered Bond Swap Provider fall below a specified ratings level, the relevant Covered Bond Swap Provider will be required to post collateral for its obligations, transfer its obligations to an appropriately rated transferee, obtain a guarantee of its obligations from an appropriately rated guarantor and/or put in place some other arrangement in order to maintain the then current ratings of the Covered Bonds.
Interest Rate Swap Provider:	Leeds Building Society (in its capacity as the Interest Rate Swap Provider) has agreed to act as a swap provider to the LLP to hedge possible variances between the rates of interest payable on the 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 entered into) by entering into the Interest Rate Swap with the LLP under the Interest Rate Swap Agreement. The Interest Rate Swap Provider will be required to post collateral for its obligations, transfer its obligations to an appropriately rated transferee, obtain a guarantee of its obligations and/or put in place some other arrangement in the event that its ratings fall below a specified ratings level. For a more detailed description of the Interest Rate Swap Provider, see "*The Issuer*", below.
Account Bank:	The Society has been appointed the Account Bank to the LLP pursuant to the terms of the Bank Account Agreement. The Stand-by Transaction Account Bank holds the Transaction Account and the Stand-by GIC Provider holds the GIC Account (see "*Stand-by Transaction Account Agreement*" and "*Stand-by Guaranteed Investment Contract*", below).
Stand-by Transaction Account Bank:	Barclays Bank PLC, acting through its offices at 1 Churchill Place, Canary Wharf E14 5HP, has agreed to act as Stand-by

	Transaction Account Bank to the LLP pursuant to the terms of the Stand-by Transaction Account Agreement. The Transaction Account has been held with the Stand-by Transaction Account Bank since December 2011.
Stand-by GIC Provider:	Barclays Bank PLC, acting through its offices at 1 Churchill Place, Canary Wharf E14 5HP, has agreed to act as Stand-by GIC Provider to the Issuer pursuant to the Stand-by Guaranteed Investment Contract. The GIC Account has been held with the Stand-by GIC Provider since December 2011.
Securities Custodian:	The Bank of New York Mellon, acting through its London branch whose principal office is at 40th Floor, One Canada Square, London E14 5AL has agreed to act as Securities Custodian to the LLP pursuant to the terms of the Custody Agreement.
First Designated Member:	Leeds Covered Bonds Designated Member (No. 1) Limited (the **First Designated Member**), a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 6697776). As at the date of this Prospectus, Holdings holds 80 per cent. and the Society holds 20 per cent. of the issued share capital of the First Designated Member.
Second Designated Member:	Leeds Covered Bonds Designated Member (No. 2) Limited (the **Second Designated Member**), a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 6697748). As at the date of this Prospectus, Holdings holds 80 per cent. and the Society holds 20 per cent. of the issued share capital of the Second Designated Member.
Holdings:	Leeds Covered Bonds Holdings Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 6694712). All of the shares of Holdings are held by the Share Trustee on trust for general charitable purposes.
Share Trustee:	Intertrust Corporate Services Limited (formerly known as SFM Corporate Services Limited), having its registered office at 1 Bartholomew Lane, London, EC2N 2AX.
Corporate Services Provider:	Intertrust Management Limited (formerly known as Structured Finance Management Limited), whose registered office is at 1 Bartholomew Lane, London, EC2N 2AX, has been appointed to provide certain corporate services to the Designated Members and Holdings, pursuant to the Corporate Services Agreement.
Description:	Global Covered Bond Programme.
Arrangers:	Barclays Bank PLC and HSBC Bank plc.

Dealers:	Barclays Bank PLC and HSBC Bank plc and any other Dealers appointed from time to time in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Covered Bonds denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale and Transfer and Selling Restrictions*", below).
Programme Size:	Up to €7 billion (or its equivalent in other currencies determined as described in the Programme Agreement) outstanding at any time as described herein. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme 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.
Specified Currencies:	Subject to any applicable legal or regulatory restrictions, such currency or currencies as may be agreed from time to time by the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).
Redenomination:	The applicable Final Terms may provide that certain Covered Bonds may be redenominated in euro. If so, the redenomination provisions will be set out in the applicable Final Terms.
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.
Issue Price:	Covered Bonds may be issued at par or at a premium or discount to par on a fully-paid basis.
Form of Covered Bonds:	The Covered Bonds will be issued in bearer or registered form as described in "*Form of the Covered Bonds*", below. Registered Covered Bonds will not be exchangeable for Bearer Covered Bonds and *vice versa*.
Fixed Rate Covered Bonds:	Fixed Rate Covered Bonds will bear interest at a fixed rate which will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

Floating Rate Covered Bonds: Floating Rate Covered Bonds will 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.

The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each issue of Floating Rate Covered Bonds as set out in the applicable Final Terms.

Other provisions in relation to Floating Rate Covered Bonds: Floating Rate Covered Bonds may also have a maximum interest rate, a minimum interest rate or both (as indicated in the applicable Final Terms). Interest on Floating Rate Covered Bonds in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

Zero Coupon Covered Bonds: Zero Coupon Covered Bonds may be offered and sold at a discount to their nominal amount and will not bear interest except in the case of late payment unless agreed otherwise by the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

Rating Agency Confirmation: The issuance of all types of Covered Bonds shall be subject to Rating Agency Confirmation.

Redemption: The applicable Final Terms relating to each Tranche of Covered Bonds will indicate either that the relevant Covered Bonds of such Tranche cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or if it becomes unlawful for any Term Advance to remain outstanding or following an Issuer Event of Default or an LLP Event of Default) or that such Covered Bonds will be redeemable at the option of the Issuer and/or the Covered Bondholders upon giving notice to the Covered Bondholders or the Issuer (as the case may be), on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

	The applicable Final Terms may provide that Covered Bonds may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.
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 6(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 4 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.
Denomination of Covered Bonds:	Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms save that, the minimum denomination of each such Covered Bond will be at least €100,000 (or, if the Covered Bonds are denominated in a currency other than euro, at least the equivalent amount in such currency) or such other higher amount as may be required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. Unless otherwise stated in the applicable Final Terms, the minimum denomination of each Definitive Rule 144A Covered Bond will be U.S.$250,000 or its approximate equivalent in other Specified Currencies.
Taxation:	All payments in respect of the Covered Bonds will be made without deduction or withholding for or on account of UK taxes, subject as provided in Condition 7 (*Taxation*). If any such

	deduction or withholding is made, the Issuer will, save in the limited circumstances provided in Condition 7 (*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 payable by the Issuer under Condition 7 (*Taxation*).
Cross Default:	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.
Status of the Covered Bonds:	The Covered Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank *pari passu* without any preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding.
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 occurs, an Issuer Acceleration Notice is served on the Issuer and a Notice to Pay is served on the LLP or, if earlier, an LLP Event of Default occurs and an LLP Acceleration Notice is 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 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.
Ratings:	Covered Bonds to be issued under the Programme have, unless otherwise specified in the applicable Final Terms, been rated "AAA" by Fitch and "Aaa" by Moody's. Each Series of Covered Bonds to be issued under the Programme will have the rating set out in the applicable Final Terms. The credit ratings referred to in this Prospectus have been issued by Fitch and/or Moody's each of which is a credit rating agency established in the UK and registered under the UK CRA Regulation. Please also refer to "*Ratings of the Covered Bonds*" in the "*Risk Factors*" section of the Prospectus.
Listing and admission to trading:	Application has been 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:	On 1 May 2009 the Issuer was admitted to the register of issuers and the Programme (and the Covered Bonds previously issued

	under the Programme) was admitted to the register of regulated covered bonds.
Governing Law:	The Covered Bonds will be governed by, and construed in accordance with, English law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of any Tranche of Covered Bonds in the United States, the EEA (which includes the Republic of Italy) and the UK. Other restrictions may apply in connection with the offering and sale of a particular Tranche of Covered Bonds. See "*Subscription and Sale and Transfer and Selling Restrictions*". Bearer Covered Bonds, other than Bearer Covered Bonds with an initial maturity of one year or less (taking into account any unilateral right to extend or rollover), will be issued in accordance with the provisions of U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the **Code**)) (**TEFRA D**) unless (i) the applicable Final Terms state that the Covered Bonds are issued in accordance with the provisions of U.S. Treas. Reg. § 1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (**TEFRA C**) or (ii) the Covered Bonds are issued other than in compliance with TEFRA D or TEFRA C but in circumstances in which the Covered Bonds will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 (**TEFRA**), which circumstances will be referred to in the applicable Final Terms as a transaction to which TEFRA is not applicable. Terms used in this paragraph have the meanings given to them by the Code and regulations promulgated thereunder, including TEFRA C and TEFRA D.
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 21 of this Prospectus.

RISK FACTORS

Introduction

The Issuer and the LLP believe that the following factors may affect their ability to fulfil their respective obligations under the Covered Bonds.

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" section 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 either the Issuer or the LLP that are not currently known to either the Issuer or the LLP, 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.

1. RISKS RELATING TO THE ISSUER

The Society's results may be adversely affected by general economic conditions and other business conditions. The Issuer's business activities are dependent on the level of banking, finance and financial services required by its customers. As the Issuer currently conducts the majority of its business in the UK, its performance is influenced by the level and cyclical nature of the business activity in the UK, which is in turn affected by both domestic and international economic and political events. Adverse developments in the UK economy could cause the Issuer's earnings and profitability to decline**.**

In particular, the UK residential mortgage market performance is closely correlated to the UK economic cycle. As well as fluctuations at a national level, the UK residential mortgage market is subject to significant regional variations. In recent years, the economy has been largely positive and as a result, core retail market operations have benefited from solid growth and a reduction in underlying impairment charges.

The impact of global stresses on the UK economy, in particular those caused by (among others) a pandemic such as the coronavirus (**Covid-19**), rising inflation and global energy prices or a stress within the Eurozone, could adversely affect the Issuer's business by reducing the level of demand for, and supply of, the Issuer's products and services, exposing it to lower asset prices and interest rate volatility could adversely impact the Issuers operating results and financial condition across various aspects including and not limited to impairment provisions and fair value adjustments.

Monetary policy decisions taken by the Bank of England to control inflation or encourage economic activity have the potential to negatively impact the Issuer's profitability through margin compression or otherwise. Facilities made available by the Bank of England which act as liquidity facilities or longer term funding options could be revoked by the Bank of England at any time, which may adversely impact the contingent liquidity available to the Issuer. Any cuts in public spending or increased taxation (both actual and planned) could dampen future growth. This may impact the UK

residential housing market, threatening affordability and mortgage customers' ability to pay, which in turn may impact the Issuer's operating results, financial condition and prospects.

A downturn in the UK economy, either regionally or nationally, could reduce demand for housing or consequently reduce house price growth and sales, which could result in lower levels of lending, the Issuer's core activity. A fall in property prices resulting from a deterioration of the economy and increased unemployment could lead to increased numbers of borrowers defaulting on their mortgage loans and result in losses being incurred by the Issuer where the net recovery proceeds are insufficient to redeem the outstanding loans. An increasing interest rate environment could also adversely affect the Issuer's business and financial performance. Increases in the Bank of England base rate could increase the cost of mortgage loans in the market, leading to reduced demand for housing and lower levels of lending. These pressures may be exacerbated by continued increases in energy prices and/or the persistence of high energy prices.

The exact nature of the risks that the Issuer faces and the manner and the extent to which they will ultimately impact the Issuer is difficult to predict and to guard against in the light of (i) the uncertainty as to the duration and depth of the impact of any economic downturn, (ii) the interrelated nature of the risks involved, (iii) the difficulties in predicting whether recoveries will be sustained and at what rate, and (iv) the fact that the risks are totally or partially outside the control of the Issuer. See also "*The Issuer may continue to be adversely affected by the lasting economic and social impact of the Covid-19 pandemic in the UK*" below.

The Issuer may continue to be adversely affected by the lasting economic and social impact of the Covid–19 pandemic in the UK. The outlook for the UK economy remains uncertain, particularly in the short and medium term, in light of the continued effects of the Covid-19 pandemic. The UK has experienced a significant downturn in economic activity during 2022, partly as a result of the Covid-19 pandemic.

In response to the Covid-19 pandemic, the Bank of England provided significant economic stimulus and regulators issued guidance to lenders asking them to act in the best interests of their customers to ease the financial impact on them, as well as releasing counter-cyclical buffer requirements in order to free up resources for lending. While the UK government has unwound restrictions, new variants of Covid-19 may be resistant to vaccines and there can be no guarantee that there will not be further governmental action, both domestically and abroad, to control the spread of the virus. There remains a risk that both the direct health impact of the virus and measures adopted with a view to containing its spread could have a material adverse effect on economic conditions and financial markets in the UK and globally.

Further downward pressure on profitability and growth could occur as a result of a number of external influences, such as the consequences of a more austere economic environment and the impact of global economic forces on the UK economy. Adverse changes in global growth may pose the risk of a further slowdown in the UK's principal export markets, which would have an adverse effect on the broader UK economy. The Covid-19 pandemic had a significant impact on the UK and global economies and the economic environment in which the Society operates.

The Covid-19 pandemic has resulted, and will likely continue to result, in longer term economic effects, potentially putting pressure on the Society's financial performance. The Society's operating environment is expected to remain highly competitive, and further increases in competition would increase the level of business risk for the Society. A significant reduction in the demand for the Society's products and services could negatively impact the Society's business and financial condition. In relation to the Covid-19 pandemic, the Issuer has complied with the FCA Tailored Support Guidance in relation to Borrowers who have requested a payment deferral as a result of the direct or indirect impact of Covid-19. Borrowers who requested (and were granted) payment deferrals by the Seller were not (for the period of the payment deferral) considered to be in arrears but no assurance can be given that the Covid-

19 pandemic will not result in an increase in the levels of arrears experienced by the Issuer or the levels of default by Borrowers in making payments on Loans now that the payment deferral period has come to an end. Credit quality could be adversely affected by a renewed increase in unemployment, including as a result of the ongoing impact of Covid-19.

There remains a risk that if rising inflation on household goods and services stabilises at a new high or continues to rise in the near term, and is not matched by wage growth, then households' disposable income will decrease. This in turn could place pressure on the ability of households to maintain their monthly mortgage payments, and may result in an increase in arrears in the Society's residential mortgage book, and an associated increase in retail impairment. There can be no assurance that the Society will not have to increase its provisions for loan losses in the future as a result of increases in non-performing loans and/or for other reasons beyond its control. Material increases in the Society's provisions for loan losses and write-offs/charge-offs could have an adverse effect on the Society's operating results, financial condition and prospects. As well as increased credit risk, including through unemployment and corporate insolvencies which could adversely impact the Society's members and customers and their ability to meet their obligations to the Society, there are likely to be continued operational risks heightened due to the events in Ukraine and economic pressures as the Society responds to the Covid-19 pandemic, including in the areas of cyber security, fraud, people, technology and operational resilience. Any related significant reduction in demand for the Society's products and services could have a material adverse effect on the Society's operating results, financial condition and prospects.

Payment deferrals or other similar concessions were offered on all retail products during the pandemic. Unlike other concessions granted to borrowers in financial difficulty, these payment deferrals were not subject to detailed affordability assessments, and therefore the level of financial difficulty of the members and customers who applied for them requires estimation in a number of areas. Whilst adverse credit performance has not materialised from customers who utilised this support in the short term, the longer-term impacts on customers remain unknown. If deterioration occurs in the quality of the Portfolio, this could have an adverse effect on the value of the Cover Pool and the LLP's ability to make payment under the Covered Bond Guarantee. There can be no assurance that the housing market will not deteriorate and the UK's economic environment may affect the rate at which the new mortgage loans are originated and may also affect the level of attrition of the Issuer's existing borrowers.

Given the uncertainties regarding the ongoing impact of the Covid-19 pandemic (including many of the risks outlined above) and the responses thereto by governments and regulators in the UK and globally, as well as the current volatility in the financial markets, there can be no assurance that the estimates and modelling by the Society will prove accurate or be sufficient to cover actual losses or impairments incurred (particularly as a result of the lasting economic repercussions of the Covid-19 pandemic).

The Issuer's accounting policies and methods are critical to how it reports its financial condition and results of operations. They require the Issuer to make estimates about matters that are uncertain. Accounting policies and methods are fundamental to how the Issuer records and reports its financial condition and results of operations. The Issuer must exercise judgement in selecting and applying many of these accounting policies and methods so that they comply with IFRS.

The Issuer has identified certain accounting policies in the notes to its audited consolidated financial statements for the year ended 31 December 2021 incorporated by reference in this Base Prospectus in respect of which significant judgement is required in determining appropriate assumptions and estimates when valuing assets, liabilities, commitments and contingencies. A variety of factors could affect the ultimate value that is obtained either when earning income, recognising an expense, recovering an asset or reducing a liability. The Issuer has established detailed policies and control procedures that are intended to ensure that these judgements (and the associated assumptions and estimates) are well controlled and applied consistently. In addition, the policies and procedures are

intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding the Issuer's judgements and the estimates pertaining to these matters, the Issuer cannot guarantee that it will not be required to make changes in accounting estimates or restate prior period financial statements in the future and any such changes or restatements could be material in nature and may therefore have an adverse effect on the Issuer's financial position.

Ratings downgrade of the UK, Sector or Issuer may have an adverse effect on the Covered Bonds. The Issuer's financial performance has been and will continue to be affected by general political and economic conditions in the UK, the Eurozone and elsewhere, and other adverse developments in the UK or global financial markets would cause its earnings and profitability to decline. As at the date of this Prospectus, the UK's long-term ratings are "Aa3 (Negative Outlook)" from Moody's and "AA- (Negative Outlook)" from Fitch. Any downgrade of the UK sovereign credit rating or the perception that such a downgrade may occur could destabilise the markets, impact the Issuer's ratings, its borrowing costs and its ability to fund itself and have a material adverse effect on the Issuer's operating results and financial condition. In addition, a UK sovereign downgrade, or the perception that such a downgrade may occur, would be likely to depress consumer confidence, restrict the availability, and increase the cost, of funding for individuals and companies, depress economic activity, increase unemployment and/or reduce asset prices. These risks are exacerbated by concerns over general market turmoil, slowing global growth, and trade tensions. Instability within global financial markets might lead to instability in the UK, which could have a materially adverse impact on the Issuer's performance.

The Issuer is rated by Moody's and by Fitch. Any downgrade in the rating of the Issuer by a credit rating agency may have a negative impact on the ratings of Covered Bonds issued under the Programme.

Deterioration in wholesale funding markets may have an adverse effect on the Issuer. Various governments and central banks, including the UK government and the Bank of England, have taken measures to create liquidity, resulting in greatly improved levels of liquidity at major UK banks and building societies. However, the Issuer does not have influence over the policy making behind such measures. Further, there can be no assurance that these conditions will not lead to an increase in the overall concentration risk and cost of funding of the Issuer or otherwise adversely affect the Issuer. The Issuer has availed itself of certain measures made available by the government to financial institutions over recent years including the Bank of England's Funding for Lending Scheme (the **FLS**) and the Term Funding Scheme (the **TFS**). The Issuer did participate in the FLS but has no drawings outstanding.

The Bank of England's Term Funding Scheme with additional incentives for SMEs (the **TFSME**) opened on 15 April 2020 and ran until 31 October 2021. The TFSME was designed to support banks and building societies which are finding it difficult to reduce deposit rates much further in a low interest rate environment. The continuation and extension of Government schemes designed to support lending may increase or perpetuate competition in the retail lending market, resulting in sustained or intensifying downward pricing pressures and consequent reductions in net interest margins. The Issuer participated in the TFSME.

The availability of Government support for UK financial institutions, to the extent that it provided access to cheaper and more attractive funding than other sources, reduced the need for those institutions to fund themselves in the retail or wholesale markets and, by participating in schemes such as FLS, TFS and TFSME, the Issuer has, in common with other participants in the schemes, reduced the need to fund itself in the wholesale and retail markets. The cessation of the FLS, TFS and TFSME can be expected to result in an increase in competition for other forms of funding, which can be expected to increase funding costs across the industry. The Issuer may see a reduction in the availability of funding, and an increase in the cost of such funding, as a result. A decrease in the availability of funding may adversely impact the Issuer's ability to support its lending operations. Any increase in the cost of funding, driven by this increased competition or by other factors, will adversely impact the Issuer's net

interest margin, results of operations and financial position, which in turn could affect the ability of the Issuer to make payments under the Covered Bonds.

UK residential housing market risk may adversely impact the Issuer's business. The performance of the UK residential mortgage market is generally correlated to the UK economic cycle. As well as fluctuations at a national level, the UK residential mortgage market is subject to significant regional variations. The Issuer's retail mortgage lending is only secured against properties in the UK. The Issuer's natural concentration in the UK market could be exacerbated by over-exposure to one geographical location, or by reliance on particular product types within the Portfolio.

If deterioration occurs in the quality of the Portfolio, this could have an adverse effect on the value of the Asset Pool and the LLP's ability to make payment under the Covered Bond Guarantee. There can be no assurance that the housing market will not deteriorate, and the UK's economic environment may affect the rate at which the new mortgage loans are originated and may also affect the level of attrition of the Issuer's existing borrowers. The Leeds Group has exposure to the buy-to-let market. Whilst this market has performed strongly in recent years, there can be no guarantee that this will continue.

There have been various tax related changes to UK legislation in recent years which may affect the ability of the Borrowers to repay their Buy-to-Let Loans due to the increased tax costs associated with buy-to-let mortgages and there may be further changes in the future which further impact the Borrowers' ability to meet their obligations under such Loans. For example, with effect from 6 April 2020 there is no longer a deduction available for finance costs against rental income for individual landlords and instead an individual borrower is only able to obtain tax relief at the basic rate of income tax (20 per cent.) for interest payable, which may result in higher taxes for the individual landlords depending on their personal circumstances.

Further, a higher rate of stamp duty land tax (**SDLT**), Welsh land transactions tax (**WLTT**) and Scottish land and buildings transaction tax (**LBTT**) applies to the purchase of additional residential properties (such as buy-to-let properties) in England and Northern Ireland, Wales and Scotland respectively. The current additional tax rates are as follows: (i) in England and Northern Ireland the higher rate is 3 per cent. above the current SDLT rates; (ii) in Wales the higher rate is 4 per cent. above the current WLTT rates and (iii) in Scotland the additional dwelling supplement (akin to the higher rate) is 4 per cent. above the current LBTT rates.

In addition, since 1 April 2021, a 2 per cent. SDLT surcharge applies to non-UK residents purchasing residential property in England and Northern Ireland. This applies in addition to the 3 per cent. additional rate that applies to the purchase of additional residential properties in England and Northern Ireland described above.

The introduction of these measures may adversely affect the private residential rental market in England, Scotland, Wales and Northern Ireland in general, or (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.

Competition in the UK personal financial services market may adversely affect the Issuer's operations. Developments in the Issuer's industry and increased competition could have a material adverse effect on its operation. The Issuer operates in increasingly competitive housing and savings markets in the UK. The Issuer competes mainly with other providers of personal financial services, including banks, building societies and insurance companies. Other financial services competitors provide a different range of financial products, which may have more competitive pricing in certain areas and may have greater financial resources with which to compete. Recently, there has been increasing competition from banks and new challenger banks. Increasing competition may have a

negative effect on the Issuer's results, if the Issuer is unable to match the products and services of its competitors.

Financial Services Compensation Scheme. The Financial Services and Markets Act 2000 (the **FSMA**) established the Financial Services Compensation Scheme (the **FSCS**), which pays compensation to eligible customers of authorised financial services firms which are unable, or are likely to be unable, to pay claims against them. Claims on the FSCS are funded by levies on the UK deposit-taking institution.

An institution's FSCS levy is linked to its share of the UK deposit market. The FSCS levy may have a material impact on the profits of the Issuer. Claims on the FSCS are funded by levies on firms authorised by the PRA and the FCA. However, in certain circumstances, regulated UK deposit takers may further be required to fund, by way of a further increase in the FSCS levy, the capital repayment to HM Treasury of such loans. The attention of Covered Bondholders is drawn to note 30 on page 213 of the audited consolidated annual accounts of the Issuer and its subsidiaries for the year ended 31 December 2021 in this regard.

Rules published by the PRA on 1 April 2015, with the most recent revisions published on 1 February 2022, have resulted in a number of changes to the UK FSCS. These include a temporary high balance deposit protection consisting of up to £1 million for up to six months for certain limited types of deposits, and changes to the manner and size of the FSCS' funding. The deposit compensation limit for each depositor (except in cases of temporary high balance deposit protection) is £85,000. It is possible that future FSCS levies on the Issuer may differ from those incurred previously, and such reforms could result in the Issuer incurring additional costs and liabilities, which may adversely affect its business, financial conditions and/or results of operations.

There can also be no assurance that there will be no actions taken under the Banking Act that may lead to further claims against the FSCS, and concomitant increased FSCS levies payable by the Issuer (and other regulated UK deposit takers). Any such increases in the Issuer's costs and liabilities related to the levy may have a material adverse effect on its results and operations. Further costs and risks to the Group may also arise in the event of any future changes to the design of financial services compensations schemes, such as increasing the scope and level of protection or moving to pre-funding of compensation schemes.

Failure by the Issuer to manage its financial risks, which include liquidity, market, funding, cyber, and competition and business model risks may result in adverse effects to its business, financial condition and/or reputation.

The Issuer's success depends on its ability to manage and control its financial risks, which include liquidity, market, funding, cyber, macroeconomic and political and competition and business model risks:

Financial risk. Control of financial risk is one of the most important risk factors for financial institutions. Financial risk includes credit, liquidity, operational and market risk. Failure to control these risks can result in material adverse effects on the Issuer's financial performance and reputation.

Market risk. The Issuer's market risk exposures mainly relate to interest rate risk (including basis and optionality risks). During 2022, the Issuer's interest rate risk profile and mitigation approaches remained broadly similar throughout the period, and therefore, associated risk levels, relative to balance sheet size, have remained generally stable against agreed internal limits and appetite. Residual exposures relate to wholesale funding activity and a legacy residential portfolio in Spain and these exposures continue to be managed. The Issuer continues to evaluate and monitor the impact of macroeconomic and market competition risk, on its interest rate risk strategies and positions, which may have an adverse impact on the Issuer's financial performance and business operations.

Credit risk. Credit risk is the potential risk of financial loss arising from the failure of a customer or counterparty to settle their financial and contractual obligations as they fall due. The Issuer's retail credit exposures are managed in accordance with the board approved lending policy which is based upon a comprehensive analysis of both the creditworthiness of the borrower and the proposed security. Following completion of a loan, the performance of all mortgages is monitored closely and all necessary action taken to manage the collection and recovery process. Wholesale counterparty exposures are also managed through Board approved limits which include the setting of limits on individual counterparties, countries, credit ratings and type of financial instrument. A failure of the Issuer to effectively manage credit risk could lead to an increased incidence of retail credit losses, which could impact on the profitability of the Issuer and its ability to meet obligations under the Covered Bonds as they fall due. A failure by one or more counterparties to honour the terms of its obligation with the Issuer could have an adverse effect on the business, operations and financial condition of the Issuer.

The Issuer clears all relevant derivative contracts as required by EU EMIR and UK EMIR. This means that the Issuer's exposure is with a centralised clearing body, LCH Ltd. There is protection under these rules and margin management on an intra-day basis ensures any additional exposure due to mark to market changes in valuation are covered. Additionally, the Issuer has collateralised swap agreements in place with all major swap counterparties in order to minimise the risk of loss in the event of default by a counterparty. However, there can be no guarantee that such strategy will effectively prevent all counterparty-related loss.

Funding risk and Liquidity risk. Liquidity risk is the risk that the Issuer is unable to meet its current and future financial obligations as they fall due. The financial obligations include investors' deposits, both on demand and those with contractual maturity dates, as well as repayments of other borrowings and loan capital. The Issuer is exposed to liquidity risk where it cannot maintain surplus liquid resources to cover cash flow imbalances and fluctuations in funding. Funding risk is the inability to access funding markets or to do so only at excessive cost. If the Issuer fails to manage and control these risks the Issuer could become unable to meet its obligations, including those under the Covered Bonds.

Cyber risk. The Issuer depends on third parties whose computer systems may be subject to cybercrime attacks. Cybercrime includes attempts by computer hackers to gain access to computer systems and could include business disruption, the manipulation of data, the causing of systems failures and the stealing of personal customer information. Such attacks are by their nature technologically sophisticated and may be difficult or impossible to detect and defend. If prevention measures do not work or are circumvented this could cause the Issuer to fail to perform its obligations under the Covered Bonds and Covered Bondholders could therefore be adversely affected.

Macroeconomic and political risk. The Issuer considers macroeconomic and political risks on a regular basis, under both central and stressed conditions. Crystallisation of the various macroeconomic risks highlighted above, including risks relating to the UK's relationship with the EU, levels of UK household debt, regional house prices and relatively low levels of productivity in the UK economy could impact the wider economy and the Issuer and cause the Issuer to be unable to perform its obligations including in relation to the Covered Bonds.

Competition and business model risk. The Issuer is exposed to competition from established lenders and by the impact of new market entrants and the development of new IT/software solutions to enhance customer offerings. This has a potential to adversely affect the business of the Issuer and its ability to make payments on the Covered Bonds.

Model risk.

Failure in the design or effectiveness of models could have a material adverse effect on the Issuer's business, financial condition and/or reputation.

Model risk is the risk that the models used by the Issuer to manage its business are inaccurate, perform inadequately or are incorrectly used and, as a result of weakness or failures in the design or use of such model, a financial loss occurs or a poor business or strategic decision is made. There are three types of model risk in particular which may result in such financial loss, impact upon efficiency, or inhibit delivery of the Society's strategic objectives - (i) model input risk, whereby errors or inaccuracies in the Society's models may incorrectly inform inputs (such as data hypotheses, assumptions or scenarios), (ii) modelling risk, whereby errors or inaccuracies in the Society's models may incorrectly inform decision-making, and (iii) model output risk, whereby errors or inaccuracies in the Society's models may incorrectly inform outputs (such as forecasts, estimates, or management decision support). To mitigate these model risks, the Society has an established model governance framework with oversight provided by its Model Risk Committee. However, there can be no assurance that the estimates and modelling by the Society will prove accurate or be sufficient to monitor risk, and any failure to manage such model risk adequately could adversely affect the Issuer's business, financial condition and results of operations and could damage its relationships with its regulators.

Operational risk.

Failure by the Issuer to control its operational risks may result in material adverse effects to its business, financial condition and/or reputation. Operational risk and losses can result from financial (including cyber) crime, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, IT systems failures, natural disasters or the failure of external systems, for example, those of the Issuer's suppliers or counterparties. Failure to manage these risks effectively could adversely impact the Issuer's business and financial profile and its ability to make payments on the Covered Bonds.

Operational resilience risk. Refers to the risk that the Issuer may be unable to carry out its daily operation due to a failure of its systems or by a third-party supplier. Any disruption caused by such an event which resulted in the Issuer being unable to carry out its operations could have an adverse effect on the Issuer including in relation to its ability to make payment on the Covered Bonds.

Change risk. Refers to the risk that business change is not completed safely, effectively and at sufficient pace, leading to customer detriment, financial loss, failure to meet regulatory requirements, or failure to meet Society objectives.

Transition risk. Transition risks arise from the process of adjustment towards a low carbon economy. A range of factors influence this adjustment, including climate related developments in policy and regulation; the emergence of disruptive technology or business models; shifting sentiment and societal preferences; and evolving frameworks and legal interpretations. More stringent energy efficiency standards for domestic buildings may increase costs for homeowners, reducing affordability or property values and increasing the aggregate risk of loss in the Issuer's mortgage portfolio, which may adversely affect the Issuer's business and financial profile and its ability to make payments on the Covered Bonds. The Issuer is also exposed to the cost of offsetting carbon emissions. Significant increase in carbon costs may reduce profitability over planning time horizons, impacting the Issuer's prospects and therefore its ability to make payments on the Covered Bonds.

Climate Change The physical and transition risks of climate change are becoming ever more apparent and have the potential to pose a significant threat to the Issuer without a coordinated and timely response.

Climate change, and businesses' response to the emerging threats, are under increasing scrutiny by governments, regulators and the public alike. These include physical risks resulting from changing climate and weather patterns and extreme weather-related events, as well as transition risks resulting from the process of adjustment towards a lower carbon economy. Governments and regulators may introduce increasingly stringent rules and policies designed to achieve targeted outcomes, which could

increase compliance costs for the Issuer, drive asset impairments and result in regulatory fines or other action if the Issuer is unable to implement adequate reforms sufficiently quickly. How the Issuer assesses and responds to these developments and challenges could increase its costs of business, and a failure to identify and adapt its business to meet new rules or evolving expectations, or any perception that it is under-performing relative to its peers, could result in reputational damage and/or the risk of legal claims and may have an adverse impact on the Issuer's financial performance and business operations.

Reputational risk could cause harm to the Issuer and its business prospects. The Issuer's ability to attract and retain customers and conduct business with its counterparties could be adversely affected to the extent that the Issuer's reputation or the reputation of the Leeds Building Society brand is damaged.

Failure to address, or appearing to fail to address, various issues that could give rise to reputational risk could cause harm to the Issuer and the Issuer's business prospects. Reputational issues include, but are not limited to: appropriately addressing potential conflicts of interest; cyber security, legal and regulatory requirements; ethical issues; climate change and other sustainability or environmental, social and governance (ESG) matters; adequacy of anti-money laundering processes; privacy issues; customer service issues; recordkeeping; sales and trading practices; proper identification of the legal, reputational, credit, liquidity and market risks inherent in products offered; and general company performance. A failure to address these issues appropriately could make customers, depositors and investors unwilling to do business with the Issuer, which could adversely affect the Issuer's business, financial condition and results of operations and could damage its relationships with its regulators and affect the Issuer's ability to make payments on the Covered Bonds. The Issuer cannot ensure that it will be successful in avoiding damage to its business from reputational risk. Any reputational risk could adversely impact the Issuer and its business prospects.

Other risk factors could adversely affect the Issuer's business. The Issuer conducts its businesses subject to regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies and interpretations in the markets in which it operates.

The response of the UK Government, HM Treasury and UK regulators to the Covid-19 pandemic (see "*Further Information on the regulation of mortgages in the UK – Mortgages and coronavirus: Tailored Support Guidance*") resulted in a number of rapid changes to the regulatory environment. These modifications were implemented at short notice with limited consultation and remain subject to revision. Other factors such as Brexit have led to a period of regulatory change, the full scope and implications of which have not yet been determined. In addition, the FCA periodically reviews certain market sectors to assess compliance against its statutory objectives: if it deems certain practices to be contrary to its objectives, it may introduce regulatory reforms.

Concerns about, or a default by, one institution in the Issuer's market environment could lead to liquidity problems or losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely interlinked as a result of credit, trading, clearing or other relationships between institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which the Issuer interacts on a daily basis and therefore could adversely affect the Issuer.

Firms authorised under FSMA are subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations thereof in the UK. This is particularly the case in the current market environment, which is witnessing increased levels of government and regulatory intervention in the banking and building society sector, and which the Issuer expects to continue for the foreseeable future. The UK government, the PRA, the FCA and other regulators in the UK may intervene further in relation to areas of industry

risk already identified, or in new areas, each of which could adversely affect the Issuer. The effects that such regulation may have on the Issuer include, without limitation, the imposition of additional costs or the limitation or restriction on the manner in which the Issuer conducts elements of its business. The Issuer continues to work closely with regulatory authorities and industry associations to ensure that it is able to identify and respond to proposed regulatory changes and mitigate the risks posed, although future changes are difficult to predict and could materially adversely affect the business of the Issuer.

The Issuer is exposed to various forms of regulatory risk in its operations, including the risk of mis-selling financial products, acting in breach of legal or regulatory principles or requirements, or other claims of alleged misconduct on the part of the Issuer, any of which could have a material adverse effect on its results or its relations with its customers. The Issuer may settle litigation or regulatory proceedings prior to a final judgment or determination of liability in order to avoid the cost, management efforts, negative business, and regulatory or reputational consequences of continuing to contest liability, even when the Issuer believes that it has no liability. The Issuer may also do so when the potential consequences of failing to prevail would be disproportionate to the costs of settlement.

Regulatory reforms may result in a reduction of the Issuer's capital surplus. A perceived or actual reduction in capital surplus could result in actions or sanctions, which may have a material adverse effect on the Issuer's business, including its operating results, financial condition and its prospects and consequently may affect the ability of the Issuer to meet its obligations under the Covered Bonds. The Issuer's capacity to continue its business operations or pursue strategic opportunities and may have an impact on future growth potential may also be affected as a result.

The circumstances which could give rise to a reduction in capital surplus could include the following:

- 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 experience an increased demand for capital. For example, the Issuer is subject to extensive regulation and regulatory supervision in relation to the levels of capital in its business. New or revised minimum and buffer capital requirements could be applied and/or the manner in which existing regulatory requirements are applied to the Issuer could be changed. If the Issuer fails, or is perceived to be likely to fail, to meet its minimum regulatory capital requirements, this may result in administrative actions or regulatory sanctions. This may adversely impact the competitiveness of the Issuer relative to banks and financial institutions subject to less stringent requirements.

The Issuer manages its capital taking account of market and rating agency expectations as well as regulatory requirements. If market and rating agency expectations increase, driven by, for example, the capital levels or targets among peer banks or building societies or through the changing views of rating agencies, then the Issuer may experience pressure to increase its capital ratios.

In particular, it should be noted that the Basel Committee on Banking Supervision (**BCBS**) has approved significant changes to the Basel regulatory capital and liquidity framework in January 2011, January 2014 and December 2017 (such changes being referred to by the BCBS as **Basel III**, and referred to, colloquially, as Basel III in respect of reforms finalised prior to 7 December 2017 and **Basel IV** in respect of reforms finalised on or following that date) including additional capital requirements, higher capital ratios, more stringent eligibility requirements for capital instruments, a new leverage ratio and liquidity requirements.

A legislative package implementing a number of the later Basel III proposals was published in the Official Journal of the European Union on 7 June 2019, consisting of Regulation (EU) No. 2019/876

(**CRR II**), Directive (EU) No. 2019/878 (**CRD V**), Directive (EU) No. 2019/279 (**BRRD II**) and Regulation (EU) No.2019/877 (**SRMR II)** and came into force on 27 June 2019 (the **Banking Reform Package**), with certain provisions applying from 27 June 2019 and other provisions gradually being phased in and/or subject to national implementation. The Banking Reform Package includes the proposed introduction into EU legislation of a net stable funding ratio, a binding leverage ratio requirement, provisions reflecting the Basel Committee's Fundamental Review of the Trading Book, incorporating a revised treatment for the calculation of own funds requirements for market risk, the Standardised Approach to Counterparty Credit Risk, and other regulatory measures. Further clarity is also provided in respect of the Pillar 2 supervisory review process, in particular the conditions which can lead to additional capital requirements and the split between Pillar 2 requirements and Pillar 2 guidance.

In relation to the Basel III reforms which were finalised in December 2017 (i.e. Basel IV), the BCBS published a press release in March 2020 deferring the implementation deadline to January 2023 in light of the Covid-19 outbreak. Notwithstanding the 1 January 2023 implementation deadline, the European Commission published its legislative package implementing the outstanding Basel III reforms on 27 October 2021 (the **Banking Package 2021**), which indicates that the outstanding Basel III reforms are only to be implemented in the EU from 1 January 2025 (with a further five-year transitional period). The Banking Package 2021 will address, among other things, the manner in which risk-weighted assets (**RWA**), should be calculated as well as a number of other reforms finalised in 2017.On 30 November 2022, the PRA published a consultation paper (CP16/22 (Implementation of the Basel 3.1 standards)) on the implementation of the final Basel III standards (i.e. Basel IV, which the PRA refers to as 'Basel 3.1'), and that its current intention is to consult on a proposal that these changes will become effective on 1 January 2025.

The CRD IV (the **CRD IV**) framework, as applicable in the EU as at the end of the transition period relating to the UK's exit from the EU (31 December 2020), has broadly been reflected in the UK, with the Capital Requirements Regulation (575/2013) (the **EU CRR**) and related EU regulations (which had direct binding effect in the UK until expiration of the transition period) being retained as domestic UK law, with certain exceptions and adjustments, primarily through the EUWA and ancillary legislation (the **UK CRR**). Most of the CRR II provisions only applied in the EU from 28 June 2021, which was after the Brexit transition period, and accordingly those CRR II provisions were not on-shored into UK law. To implement those remaining elements of CRR II relating to the Basel Standards in the UK, HM Treasury has revoked a number of on-shored UK CRR articles and the PRA published its Policy Statement 17/21.

The Financial Services Act 2021 (the **FS Act 2021**) (which largely sought to shape the regulatory framework for UK financial services outside of the EU following Brexit) brought about a number of changes and/or introduced a broad range of measures which will affect firms across the financial sector. The FS Act 2021 enables the implementation of the outstanding Basel III and Basel IV standards by giving HM Treasury the power to repeal elements of UK CRR that need to be updated to reflect the latest Basel standards. Following repeal, many of the updates will be (and, in the case of the CRR II changes discussed above, have been) implemented through rules made by the PRA in the PRA Rulebook. This involves technical changes to the UK prudential framework as it relates to credit risk, market risk, counterparty credit risk, operational risk, large exposures, collective investment units, liquidity standards and reporting, among others.

The implementation of the CRD IV framework introduced significant changes to the calculation of the Group's capital adequacy as well as the introduction of new metrics, for example the leverage ratio. The Group currently satisfies all of the current capital requirements under CRD IV, as amended.

Covered bond reforms made up of a new covered bond directive (Directive (EU) 2019/2162) and a new regulation (Regulation (EU) 2019/2160), have applied in the EU since 8 July 2022 (both texts have relevance for the EEA and have been, or are to be implemented in due course in other

countries in the EEA). The new covered bond directive replaces current Article 52(4) of Directive 2009/65/EC (the **UCITS Directive**), and establishes a revised common base-line for the issue of covered bonds for EU regulatory purposes (subject to various options that member states may choose to exercise when implementing the new directive through national laws). The new regulation has been directly applicable in the EU since 8 July 2022 and it amends Article 129 of the **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 transposition into national laws has only recently been completed, the final position is not yet known. In the UK, the FCA indicated that it intends to implement the EU covered bond reforms, but it remains unclear when consultation on the review of the UK regime will be published. Therefore, there can be no assurances or predictions made as to the precise effect of the new regime on the Covered Bonds.

Future legislative, accounting and regulatory changes could impose operational restrictions on the Issuer, require the Issuer to raise further capital, increase the Issuer's expenses and/or otherwise adversely affect its business, results, financial condition or prospects. The Issuer is regulated by the PRA and the FCA which regulates the sale of residential mortgages, deposit taking and general insurance products. The regulatory regime requires the Issuer to be compliant across many aspects of activity, including the training, authorisation and supervision of personnel, systems, processes and documentation. If the Issuer fails to be compliant with any relevant regulations, there is a risk of an adverse impact on its business due to sanctions, fines or other action imposed by the regulatory authorities. This is particularly the case in the current market environment, which is witnessing increased levels of government and regulatory intervention in the banking, personal finance and real estate sectors.

The FCA, and other bodies such as the Financial Ombudsman Services (the **Ombudsman**), could impose further regulations or obligations in relation to current and past dealing with retail customers. As a result, the Issuer may incur costs in complying with these regulations or obligations relating to its business, including potential compensation and costs relating to sales advice given to retail customers.

The imposition of such sanctions, fines or other action on the Issuer or the incurrence of such costs by the Issuer may affect the Issuer's ability to meet its obligations to Covered Bondholders in respect of the Covered Bonds in circumstances where the LLP is unable to meet its obligations under the Covered Bond Guarantee.

Future changes in regulation, fiscal or other policies are unpredictable and beyond the Issuer's control and could materially adversely affect its business or operations.

As at the date of this Prospectus, it is difficult to predict the effect that any of the proposed or recent changes will have on the Issuer's operations, business and prospects or how any of the proposals will be implemented in light of the fundamental changes to the regulatory environment proposed by the Government and/or the European Commission. Depending on the specific nature of the requirements and how they are enforced, such changes could have an impact on the Issuer's operations, structure, costs and/or capital requirements. Accordingly, the Issuer cannot assure investors that the implementation of any of the foregoing matters or any other regulatory or legislative changes that may be proposed will not have a material adverse effect on its operations, business, results, financial condition or prospects.

Demutualisation, mutual society transfers and consequences of the Building Societies Act for Covered Bondholders. The Society's Board is committed to maintaining the mutual status of the Society. Notwithstanding the above, subject to confirmation by the relevant UK regulatory authority, the Society's members and its directors determine whether it remains a building society or if it demutualises (save in circumstances where the relevant UK regulatory authority makes a direction under section 42B of the Building Societies Act or a UK Authority makes an instrument or order under

the Banking Act (as amended by section 56 of the Financial Services Act), which results in demutualisation through the conversion of it into a company or the transfer of all of the property, rights or liabilities of the society to a company).

The Building Societies Act includes provisions under which a building society may demutualise by transferring the whole of its business to an existing company (referred to as a "takeover") or to a specially formed company (referred to as a "conversion"). In addition, the Building Societies Act (as modified by the Mutual Societies (Transfers) Order 2009 (the **Mutual Transfers Order**) made under section 3 of the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007 (the **Funding and Mutual Societies Transfers Act**)) includes provisions under which a building society may transfer the whole of its business to the subsidiary of another mutual society (as defined in section 3 of the Funding and Mutual Societies Transfers Act). At present, the claims of depositors and other unsubordinated creditors of the Issuer would rank ahead of share accounts (which term excludes any deferred shares) and the members' rights to any surplus in the event of a liquidation of the Issuer and the claims of subordinated creditors of the Issuer would rank behind share accounts but ahead of members' rights to any surplus in the event of a liquidation of the Issuer. If, however, the Issuer transfers its business to a specially formed company or an existing company (as defined in the Building Societies Act) or to a subsidiary of another mutual society, all of the liabilities of the Issuer which immediately prior thereto were classified as share accounts will thereafter rank at least *pari passu* with all other unsecured and unsubordinated liabilities of the Issuer's successor. If such a transfer was to be undertaken Covered Bondholders could therefore rank equally with such share accounts in the event of any residual claims against the Issuer in the event of an Issuer Insolvency.

Following a transfer of business to a company (including where the transfer is to a subsidiary of another mutual society) by the Issuer the obligations under the Covered Bonds will become obligations of any transferee entity and rank (i) in priority to both the rights of the holders of the equity share capital in the company to any repayment of capital or surplus on a liquidation and any obligations of the company (whether or not created prior to such transfer) expressed to rank junior to such Covered Bonds, (ii) equally with other unsecured and unsubordinated creditors (including inter-bank lenders and retail depositors) and (iii) behind any statutorily preferential creditors. Covered Bondholders should be aware of the risk that the Covered Bonds become obligations of such transferee entity, including the risk of any adverse regulatory consequences for investors (depending on the type of entity for which the business of the Issuer is transferred).

Certain of the Issuer's liabilities will be preferred by law in the event of its winding-up. Section 90B of the Building Societies Act, as amended by the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007, permitted HM Treasury, by order, to make certain alterations to rankings of creditors and shareholders on dissolution and winding-up.

HM Treasury has exercised this power, which was granted to it under Section 90B of the Act, with the intention to align the creditor hierarchy in UK building societies with the depositor preference requirements introduced by Directive 2014/59/EU (the **BRRD**), and powers conferred on it by section 2(2) of the European Communities Act 1972 by making the Banks and Building Societies (Depositor Preference and Priorities) Order 2014 which came into force on 1 January 2015. As a result of these changes, provision has been made by HM Treasury for the purpose of ensuring that, on the winding-up, or dissolution by consent, of a building society, any assets available for satisfying the society's liabilities to creditors (other than liabilities in respect of subordinated deposits; liabilities in respect of preferential debts; or any other category of liability which HM Treasury specifies in the order for these purposes) or to shareholders (other than liabilities in respect of preferential debts and deferred shares) are applied in satisfying those liabilities *pari passu*, which may affect the ability of the Issuer to meet its obligations under the Covered Bonds.

It is expressed to be a condition of any transfer of business by the Issuer under the Transaction Documents that the Covered Bond Guarantee will remain in place or be modified to apply *mutatis*

mutandis in full force and effect and will continue as an obligation of the LLP in respect of the Covered Bonds which, following any transfer, will be obligations of the transferee entity.

Senior Managers and Certification Regime. The Senior Managers and Certification Regime (the **SM&CR**) is intended to govern the conduct of senior persons within UK banks, building societies, credit unions, PRA designated investment firms and branches of foreign banks operating in the UK. The SM&CR came into force on 7 March 2016.

On 19 June 2013, the Parliamentary Commission on Banking Standards (**PCBS**) published its final report ("Changing Banking for Good"). This was followed by the publication of the Government's response on 8 July 2013, accepting the overall conclusions of the final report and all of its principal recommendations. Among other things, this included proposals for: (i) a new senior persons regime governing the conduct of bank staff; (ii) the introduction of a criminal offence for reckless misconduct by senior bank staff; and (iii) steps to improve competition in the banking sector. On 18 December 2013, the Banking Reform Act, which includes provisions to address certain of the PCBS's recommendations received royal assent.

The FCA and the PRA have now published the majority of their rules and guidance on the SM&CR. Among other things, from 7 March 2016 the SM&CR has introduced a criminal offence for reckless misconduct by senior bank staff.

The PRA published its policy statement on the extension of the SM&CR to PRA solo regulated firms bringing them into scope of the regime from 9 December 2018. The FCA published its near final rules for the expansion of the SM&CR to FCA solo regulated firms commencing on 9 December 2019 bringing FCA solo regulated firms into scope. On 2 September 2020 the deadline for solo regulated firms to have undertaken the first assessment of the fitness and propriety of their certified persons was delayed from 9 December 2020 to 31 March 2021.

Complying with new regulations imposes costs on the Society's business, including legal costs to implement new policies and procedures, as well as the time and attention of senior management. In addition, any violation of the SM&CR could result in disciplinary action against the Society or any of its employees, financial penalties as well as reputational damage, any of which could have a material adverse effect on the Society's business, financial position or results of operations. Whilst the SM&CR has been embedded by the Issuer to which these obligations relate, it is important to remember the constantly evolving nature of regulation in the UK as it responds to challenges in the external environment. An example of this was the response to Covid-19 and the publication in April 2020 of the "Joint FCA and PRA statement Senior Managers and Certification Regime (SM&CR) and coronavirus (Covid-19): our expectations of dual regulated firms").

The SM&CR has had, and will continue to have, a substantial impact on banks and building societies in the UK generally, including the Issuer and any of the Issuer's subsidiaries which are FSMA authorised persons.

The UK General Data Protection Legislation (UK GDPR). Although a number of basic existing principles remain the same, the EU General Data Protection Regulation (EU) 2016/679 as it forms part of domestic law by virtue of the EUWA (**UK GDPR**) introduced new obligations on data controllers and rights for data subjects. The UK GDPR also introduced new fines and penalties for a breach of requirements, including fines for serious breaches of up to the higher of 4 per cent. of annual worldwide turnover or £17.5 million and fines of up to the higher of 2 per cent. of annual worldwide turnover or £8.7 million for other specified infringements. The UK GDPR identifies a list of points to consider when imposing fines (including the nature, gravity and duration of the infringement).

There is a risk that the measures may not have been implemented correctly or that individuals within the Issuer will not be fully compliant with the procedures. If there are breaches of these

measures, the Issuer could face significant administrative and monetary sanctions as well as reputational damage which may have a material adverse effect on the Issuer's operations, financial condition and prospects.

Changes in the Issuer's accounting policies or in accounting standards could materially affect its capital ratios, how it reports its financial condition and results of operations. From time to time, the International Accounting Standards Board (the **IASB**) change the international accounting standards issued by the IASB, as adopted by the UK that govern the preparation of the Issuer's financial statements. These changes can be difficult to predict and could materially impact how the Issuer records and reports its financial condition and results of operations. In some cases, the Issuer could be required to apply a new or revised standard retroactively, resulting in restating prior period financial statements.

The Group has adopted International Financial Reporting Standard (**IFRS**) 16: ""Leases"" from the financial year ending 31 December 2019. This has resulted in the recognition of operating lease liabilities which were previously 'off-balance sheet" and a 'right-of-use" asset for the leased asset.

The IASB may make other changes to financial accounting and reporting standards that govern the preparation of the Issuer's financial statements, which the Issuer may adopt prior to the date on which such changes become mandatory if determined to be appropriate by the Issuer, or which the Issuer may be required to adopt. Any such change in the Issuer's accounting policies or accounting standards could materially affect its reported financial condition and results of operations.

2. RISKS RELATING TO THE COVERED BONDS

Finite resources are 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 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 Loans and their Related Security in the Portfolio; (ii) the amount of Revenue Receipts and Principal Receipts generated by the 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 GIC Account and, if applicable, the Stand-by GIC Account and the LBS Reserve Fund Account and the interest element of Authorised Investments purchased from amounts credited to the GIC Account or the Stand-by GIC Account and, if applicable, the LBS Reserve Fund Account, as applicable. 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 proceeds of realisation of the Charged Property may not be sufficient to meet the claims of all of the Secured Creditors, including the Covered Bondholders.

In addition, all obligations of the LLP to the Covered Bondholders in respect of the Secured Obligations 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 received notice from the Servicer that, in its sole opinion, 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 (including the Priorities of Payments),

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.

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.

If, following enforcement of the Security constituted by or pursuant to the Deed of Charge or the Security Trustee having determined that there is no reasonable likelihood of there being further realisation in respect of the Charged Property, the Secured Creditors have not received the full amount due to them from the LLP 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 an amount at least equal to 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 and, in particular, the sale of further 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 LBS (in its capacity as a Member of the LLP) 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.

The LLP or the Cash Manager acting on its behalf may, from time to time, send notification to the Security Trustee of the proposed percentage (used in the computation of the Adjusted Aggregate Loan Amount and the Asset Percentage) selected by it in accordance with the relevant provisions of the LLP Deed to ensure that the Covered Bonds achieve a Aaa rating by Moody's using Moody's expected loss methodology. However there is no obligation on the LLP to ensure that a Aaa rating is maintained by Moody's and the LLP is under no obligation to change the figure selected by it in accordance with the relevant provisions of the LLP Deed and notified to Moody's and the Security Trustee in line with such level of credit enhancement necessary to maintain a Aaa rating by Moody's. If the LLP does not send further notification to Moody's and the Security Trustee, the Asset Percentage may not be reduced and may be insufficient to ensure the maintenance of a Aaa rating by Moody's and the Covered Bonds may be downgraded by Moody's, even though the Asset Coverage Test is not breached. For the avoidance of doubt, merely notifying Moody's and the Security Trustee of the amended Asset Percentage does not ensure that a Aaa rating is maintained. An Issuer Event of Default and/or an LLP Event of Default will not occur solely as a result of a downgrade of the Covered Bonds.

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 or make a

provision for a monthly amount, on each LLP Payment Date, to each Covered Bond Swap Provider based on an agreed floating rate. 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 twelve 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 with respect to the Covered Bonds than if the Covered Bond Swap Provider's payment obligations coincided with the LLP's payment obligations under the Covered Bond Guarantee. 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 with respect to the Covered Bonds.

Investors who purchase Covered Bonds in denominations that are an integral multiple of the Specified Denomination may be adversely affected if definitive Covered Bonds are subsequently required to be issued. In relation to any issue of Covered Bonds that 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 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 (after deducting integral multiples of such minimum Specified Denomination) is less than the minimum Specified Denomination in his 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 such that its holding amounts to a Specified Denomination. If such Covered Bonds in definitive form 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**.**

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 GIC Account or (if applicable) the Stand-by GIC Account 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.

Series specific risks. Fixed Rate Covered Bonds, Floating Rate Covered Bonds and Zero Coupon Covered Bonds (or a combination of any of the foregoing) may be issued under the Programme. A number of these Covered Bonds may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Exchange rate risks and exchange controls. If an investor holds Covered Bonds which are not denominated in the investor's home currency, they will be exposed to movement in exchange rates

adversely affecting the value of their holding. In addition, the imposition of exchange controls in relation to any Covered Bonds could result in an investor not receiving payments on those Covered Bonds.

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 (1) the Investor's Currency-equivalent yield on the Covered Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Covered Bonds and (3) the Investor's Currency-equivalent market value of the Covered Bonds. Governmental 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.

Fixed Rate Covered Bonds. Investment in Fixed Rate Covered Bonds involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Covered Bonds, this will adversely affect the value of the Fixed Rate Covered Bonds.

Fixed/Floating Rate Covered Bonds. The Issuer may issue Covered Bonds which bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the 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 in such circumstances, the spread on the 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 in such circumstances, the fixed rate may be lower than the then prevailing market rates.

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 their 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**) provide 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 partial payment in accordance with the Guarantee Priority of Payments and as described in Condition 6(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 fall one year after the Final Maturity Date, and interest will continue to accrue and be payable on the unpaid amount in accordance with

Condition 4 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.

Covered Bonds subject to Optional Redemption by the Issuer. If the Issuer has the right to redeem any Covered Bonds at its option, this may limit the market value of the Covered Bonds, and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

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. 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.

Covered Bonds issued at a substantial discount or premium. The market values of securities issued at a substantial discount (such as Zero Coupon Covered Bonds) or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

Changes or uncertainty in respect of EURIBOR, SONIA and/or other interest rate benchmarks may affect the value or payment of interest under the Covered Bonds. Interest rates and indices which are deemed to be "benchmarks" (including EURIBOR and SONIA) are the subject of ongoing national, international and other regulatory guidance for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to be replaced or reconfigured, to disappear entirely, or have other consequences which 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 (the **EU Benchmarks Regulation**) has applied since 1 January 2018 in general, subject to certain transitional provisions. Certain requirements of the EU Benchmarks Regulation apply with respect to the provision of a wide range of benchmarks (including EURIBOR), the contribution of input data to a benchmark and the use of a benchmark within the EU. In particular, the EU Benchmarks Regulation, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of benchmarks, (ii) imposes extensive requirements in relation to the administration of benchmarks and

(iii) prevents certain uses by EU-supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU-based, deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the EUWA (the **UK Benchmarks Regulation**) among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed). The administrator of SONIA, the Bank of England, is not currently required to obtain authorisation/registration and SONIA does not fall within the scope of the EU Benchmarks Regulation or the UK Benchmarks Regulation by virtue of Article 2 of those regulations. The administrator of EURIBOR appears on the register of administrators and benchmarks established and maintained by each of ESMA and the FCA.

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, 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 the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased 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.

Investors should be aware that the euro risk-free rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, among other things, new euro-denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On 11 May 2021, the euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates.

Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on the Covered Bonds.

In particular, prospective investors should be aware that:

(a) any of these reforms or pressures described or any other changes to a relevant interest rate benchmark (including EURIBOR and SONIA) 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 or SONIA is discontinued or is otherwise unavailable, then the rate of interest on the Covered Bonds will be determined for a period by the fallback provisions provided for under Condition 4 (Interest) of the Terms and Conditions of the Covered Bonds, although such provisions (in respect of EURIBOR) being dependent in part upon the provision by reference banks of offered quotations for leading banks in the Eurozone interbank market, may not operate as intended (depending on market circumstances and the availability of rates information at the relevant time) and may in certain circumstances result in the effective application of a

fixed rate based on the rate which applied in the previous period when EURIBOR or SONIA was available;

(c) while an amendment may be made under Condition 14 (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*) in the Terms and Conditions of the Covered Bonds to change the EURIBOR or SONIA rate (as applicable) on the relevant Floating Rate Covered Bonds to an alternative base rate under certain circumstances broadly related to EURIBOR or SONIA (as applicable) dysfunction or discontinuation 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 all relevant 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

(d) if EURIBOR, SONIA or any other relevant interest rate benchmark is discontinued, there can be no assurance that the applicable fall back provisions under the Swap Agreements would operate to allow the transactions under the Swap Agreements to fully or effectively mitigate interest rate risk in respect of the Covered Bonds.

In addition, it should be noted that broadly divergent interest rate calculation methodologies may develop and apply as between 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 EURIBOR, SONIA or any other relevant interest rate benchmark could affect the ability of the Issuer or the LLP to meet its obligations under the Covered Bonds and/or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Covered Bonds. Changes in the manner of administration of EURIBOR, SONIA or any other relevant interest rate benchmark could result in adjustment to the Conditions or other consequences in relation to the Covered Bonds. No assurance may be provided that relevant changes will not occur with respect to EURIBOR, SONIA or any other relevant interest rate benchmark and/or that such benchmarks will continue to exist. Investors should consider these matters when making their investment decision with respect to the Covered Bonds.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, or any of the international or national reforms and the possible application of the benchmark replacement provisions of the Covered Bonds in making any investment decision with respect to the Covered Bonds.

Ratings of the Covered Bonds. Fitch's covered bond ratings mainly address the probability of default, but also incorporate an element of recovery given default. The ratings assigned by Moody's to the Covered Bonds mainly address the expected loss posed to potential investors.

The expected ratings of the Covered Bonds are set out in the relevant Final Terms for each Series of Covered Bonds. Any Rating Agency may lower its ratings or withdraw its rating if, in the sole judgment of the Rating Agency, the credit quality of the Covered Bonds has declined or is in question.

The Issuer is exposed to changes in the rating methodologies applied by rating agencies. Any adverse changes of such methodologies may materially and adversely affect the Issuer's operations or financial condition, the Issuer's willingness or ability to leave individual transactions outstanding and adversely affect the Issuer's capital market standing.

In addition, at any time any Rating Agency may revise its relevant rating methodology with the result that, among other things, any rating assigned to the Covered Bonds may be lowered. If any rating assigned to the Covered Bonds is lowered or withdrawn, the market value of the Covered Bonds may be reduced.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension or withdrawal (or, as noted above, revision) at any time. A credit rating may not reflect the potential impact of all of the risks related to the structure, market, additional factors discussed above and other factors that may affect the value of the Covered Bonds. Any downgrade in the rating of the Issuer by the Rating Agencies may have a negative impact on the ratings of the Covered Bonds.

Rating Agency Confirmation in respect of Covered Bonds. The terms of certain of the Transaction Documents provide that, in certain circumstances, the Issuer must, and the Bond Trustee or the Security Trustee may, obtain written confirmation (or, in the case of Moody's, affirmation) from the Rating Agencies that any particular action proposed to be taken by the Issuer, the LLP, the Seller, the Servicer, the Cash Manager, the Bond Trustee or the Security Trustee will not adversely affect or cause to be withdrawn the then current ratings of the Covered Bonds (a **Rating Agency Confirmation**).

By acquiring the Covered Bonds, investors will be deemed to have acknowledged and agreed that, notwithstanding the foregoing, a credit rating is an assessment of credit and does not address other matters that may be of relevance to Covered Bondholders, including, without limitation, in the case of a Rating Agency Confirmation, whether any action proposed to be taken by the Issuer, the LLP, the Seller, the Servicer, the Cash Manager, the Bond Trustee, the Security Trustee or any other party to a Transaction Document is either (i) permitted by the terms of the relevant Transaction Document, or (ii) in the best interests of, or not materially prejudicial to, some or all of the Covered Bondholders. In being entitled to have regard to the fact that the Rating Agencies have confirmed that the then current ratings of the Covered Bonds would not be adversely affected or withdrawn, each of the Issuer, the LLP, the Bond Trustee, the Security Trustee and each of the other Secured Creditors (including the Covered Bondholders) is deemed to have acknowledged and agreed that the above does not impose or extend any actual or contingent liability on the Rating Agencies to the Issuer, the LLP, the Bond Trustee, the Security Trustee, the Secured Creditors (including the Covered Bondholders) or any other person or create any legal relations between the Rating Agencies and the Issuer, the LLP, the Bond Trustee, the Security Trustee, the Secured Creditors (including the Covered Bondholders) or any other person whether by way of contract or otherwise.

Any such Rating Agency Confirmation may be given or not given at the sole discretion of each Rating Agency. 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 Rating Agency Confirmation in the time available or at all, and the Rating Agency will not be responsible for the consequences thereof. Such confirmation, if given, 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 Covered Bonds form part since the issuance date. A Rating Agency Confirmation represents only a restatement of the opinions given, and is given on the basis that it will not 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 Rating Agency Confirmation in the time required or at all, which may have an adverse effect on the Covered Bonds.

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, unsecured, unconditional and unsubordinated obligations, ranking *pari passu* without any preference among themselves and (subject to applicable law) equally with its other direct, unsecured, unconditional and unsubordinated obligations (save for any obligations to be preferred by 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 and service by the Bond Trustee of an LLP Acceleration Notice on the LLP. As such investors should be aware of the risk that, if an Issuer Event of Default has occurred, the LLP is required to make payments as and when they become due for payment under the Covered Bond Guarantee, and the timings at which the LLP is obliged to make such payments may differ from timings applicable to the Issuer.

LLP only obliged to pay Guaranteed Amounts when the same are Due for Payment. Subject as provided in the Trust Deed, 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 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 9(a), in which case the Bond Trustee is obliged to serve such Notice. 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 to the Covered Bondholders as a consequence of such withholding or deduction. The attention of potential Covered Bondholders is drawn to the paragraph headed "*Payments by the LLP*" in the "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 7.

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, but is not obliged to unless requested or directed by the holders of at least 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds then outstanding as if they were a single Series or if directed by an Extraordinary Resolution of all the Covered Bondholders in accordance with Condition 9(b) and indemnified and/or secured and/or prefunded to its satisfaction, accelerate the obligations of the LLP under the Covered Bond Guarantee by service of an LLP Acceleration Notice, 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 any additional amounts payable by the Issuer under Condition 7), although in such circumstances the LLP will not be obliged to gross-up in respect of any withholding or deduction which may be required in respect of any payment which it makes under the Covered Bond Guarantee. 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 in accordance with the Post-Enforcement Priority of Payments. Investors should be aware of the risk that following enforcement of the Security the LLP may not have sufficient funds to make payment of all amounts owing in relation to the Covered Bonds.

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 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 the 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 Portfolio, with holders of the Covered Bonds which may be issued 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 on the LLP). If an LLP Event of Default occurs, following service of an LLP Acceleration Notice on the LLP, 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:

- 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 acquire Loans and their Related Security from the Seller; and/or (ii) to acquire Substitution Assets up to 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 and thereafter may be applied by the LLP:

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

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

    (c) (subject to complying with the Asset Coverage Test (as described below)) to make a Capital Distribution to a Member;

    (d) if an existing Series or Tranche, or part of an existing Series and/or Tranche, of Covered Bonds is being refinanced (by the issue of a further Series and/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 GIC Account or, if applicable, the Stand-by GIC Account and/or, if so directed by the Issuer, into the LBS Reserve Fund Account (including, without limitation, to fund the Reserve Funds up to an amount not exceeding, as applicable, the Reserve Fund Required Amount or the LBS Reserve Fund Required Amount);

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

- on or prior to the date of issue of any further Covered Bonds, the Issuer will be obliged to obtain written confirmation from 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.

However, there is no assurance that the issue of a further Series of Covered Bonds would not be ultimately adverse to the interests of any existing holder of Covered Bonds, because for instance the level of collateralisation in the Asset Pool is reduced.

Covered Bonds not in physical form. Unless the Bearer Global Covered Bonds or the Registered Global Covered Bonds are exchanged for Bearer Definitive Covered Bonds or Registered Definitive Covered Bonds, respectively, which exchange will only occur in the limited circumstances set out under "Form of the Covered Bonds – Bearer Covered Bonds" and "Form of the Covered Bonds – Registered Covered Bonds" below, the beneficial ownership of the Covered Bonds will be recorded in book-entry form only with Euroclear and Clearstream, Luxembourg and/or DTC. The fact that the Covered Bonds are not represented in physical form could, among other things:

- result in payment delays on the Covered Bonds because distributions on the Covered Bonds will be sent by or on behalf of the Issuer to Euroclear, Clearstream, Luxembourg or DTC instead of directly to Covered Bondholders;
- 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; and
- hinder the ability of Covered Bondholders to resell the Covered Bonds because some investors may be unwilling to buy Covered Bonds that are not in physical form.

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. Therefore the holders of a single Series of Covered Bonds may not be able to separately direct the Bond Trustee or the Security Trustee**.**

3. RISKS RELATING TO THE ASSET POOL

Limited description of the Portfolio. The Covered Bondholders will not receive detailed statistics or information in relation to the Loans in the Portfolio. The Loans in the Portfolio will frequently change due to, for instance:

- the Seller selling Loans and their Related Security (or New Loan Types and their Related Security) to the LLP;
- New Sellers acceding to the Transaction Documents and selling Loans and their Related Security (or New Loan Types and their Related Security) to the LLP; and
- the Seller repurchasing Loans and their Related Security in accordance with the Mortgage Sale Agreement.

There is no assurance that the characteristics of the New Loans assigned to the LLP on a Transfer Date will be the same as those of the Loans in the Portfolio as at that Transfer Date. However, each Loan will be required to meet the Eligibility Criteria and the Representations and Warranties set out in the Mortgage Sale Agreement – see "*Summary of the Principal Documents –Mortgage Sale Agreement – Sale by the Seller of Loans and Related Security*" (although the Eligibility Criteria and Representations and Warranties may change in certain circumstances – see the risk factor entitled "*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"). 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. A monthly report is also made available to Covered Bondholders, the Security Trustee, the Bond Trustee and the Rating Agencies detailing among other things compliance with the Asset Coverage Test and is available on the Society's website at http://www.leedsbuildingsociety.co.uk/treasury/wholesale/covered-bonds-terms/.

Sale of Selected 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 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 Loans and their Related Security following an Issuer Event of Default").

There is no guarantee that a buyer will be found to acquire Selected 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 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 Loans for the best price reasonably available notwithstanding that such price may be less than the Adjusted Required Redemption Amount. If Selected Loans are not sold for an amount equal to or in excess of the Adjusted Required Redemption Amount, the LLP may have insufficient funds available to pay the Covered Bonds.

On the Final Maturity Date of a Series of Covered Bonds or, as applicable, on each Interest Payment Date up to and including the Extended Due for Payment Date, the LLP will apply all proceeds standing to the credit of the Transaction Account or the Stand-by Transaction Accounts (to the extent maintained), or otherwise the GIC Account or Stand-by GIC Account (to the extent maintained) and the LBS Reserve Fund Account to redeem the relevant Series of Covered Bonds. Such proceeds will include the sale proceeds of Selected Loans (including any excess sale proceeds resulting from the sale of Selected Loans sold in respect of another Series of Covered Bonds) and all principal repayments received on the Loans in the Portfolio generally. This may adversely affect later maturing Series of Covered Bonds if the Selected Loans sold to redeem an earlier maturing Series of Covered Bonds are sold for less than the Adjusted Required Redemption Amount and accordingly the LLP is required to apply other assets in the Portfolio (i.e. Principal Receipts) to redeem that earlier maturing Series of Covered Bonds.

Set-off risk may adversely affect the value of the Portfolio or any part thereof. As described below, the sale by the Seller to the LLP of English Loans and Northern Irish Loans has been or will be given effect by an equitable assignment, with each sale of Scottish Loans being given effect by a Scottish Declaration of Trust. As a result, legal title to the English Loans, Northern Irish Loans and Scottish Loans and their Related Security sold by the Seller to the LLP will remain with 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 transactions or deposits made between the Borrowers and the Seller existing prior to notification to the Borrowers of the assignment or assignation (as appropriate) of the Loans.

The exercise of set-off rights by Borrowers may adversely affect the realisable value of the Portfolio and/or the ability of the LLP to make payments under the Covered Bond Guarantee. The Asset Coverage Test has been structured to mitigate the potential set-off risk (although there is no assurance that such risks will be accounted for).

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 Loan or its Related Security and will rely instead on the Representations and Warranties given in the Mortgage Sale Agreement by the Seller in respect of the Loans sold by it to the LLP.

If any Loan sold by the Seller does not materially comply with any of the Representations and Warranties made by the Seller as at the Transfer Date of that Loan, 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 and upon receipt of a request to do the same from the LLP, remedy the breach within 28 Business Days of receipt by it of the request.

If the Seller fails to remedy the breach of a Representation and Warranty within 28 Business Days, then the Seller will be required (but only prior to the occurrence of an Issuer Event of Default and after the service of a Loan Repurchase Notice) 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 Loan and its Related Security and any other Loans of the relevant Borrower that are included in the Portfolio, at their True Balance on the date of repurchase.

There can be no assurance that the Seller, in the future, will have the financial resources to repurchase a Loan or Loans and its or their Related Security. However, if the Seller does not repurchase those Loans and their Related Security which are in breach of the Representations and Warranties then the True Balance of those 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 Representation or Warranty.

Maintenance of Portfolio. Asset Coverage Test: Pursuant to the terms of the Mortgage Sale Agreement, the Seller agreed to use all reasonable efforts to transfer Loans and their Related Security to the LLP in order to ensure that the Portfolio is in compliance with the Asset Coverage Test. The consideration payable to the Seller for the sale of the 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 True Balance of the 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 Loans); and (iii) the Deferred Consideration.

Alternatively, the Society (in its capacity as 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 Loans and their Related Security to the LLP nor is there any specific recourse to the Society 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 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 Society (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 aggregate Sterling Equivalent of the Principal Amount Outstanding under the Covered Bonds. The Amortisation Test is intended to ensure that the assets of the LLP do not fall below a certain threshold and to ensure that the assets of the LLP are sufficient to meet its obligations under the Covered Bond Guarantee together with senior expenses that rank in priority to or *pari passu* with amounts due on the Covered Bonds.

If the collateral value of the 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 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 and the Trust Deed.

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 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*".

Neither the Bond Trustee nor the Security Trustee shall be responsible for monitoring compliance with, nor the monitoring of, the Asset Coverage Test or the Amortisation Test or any other test, nor supervising the performance by any other party of its obligations under any Transaction Document.

Geographic concentration of the Loans. Loans in the Portfolio may also be subject to geographic concentration risks within certain regions. To the extent that specific geographic regions have experienced or may experience in the future weaker regional economic conditions and housing markets than other regions, a concentration of the Loans in such a region may be expected to exacerbate all of the risks relating to the Loans described in this section. Certain geographic regions rely on different types of industries. Any downturn in a local economy or particular industry may adversely affect the future regional employment levels and consequently the repayment ability of the Borrowers in that region or the region that relies most heavily on that industry. The LLP can predict neither when nor where such regional economic declines may occur nor to what extent or for how long such conditions may continue as described above, the ability of the LLP to make payments under the Covered Bond Guarantee could be reduced or delayed. Any natural disasters in a particular region may reduce the value of affected Properties. This may result in a loss being incurred upon sale of the Property. These circumstances could affect receipts on the Loans and ultimately result in losses on the Covered Bonds.

In addition, any natural distasters or widespread health crises or the fear of such crises (including, but not limited to, Covid-19, measles, SARS, Ebola, H1N1, Zika, avian influenza, swine flu (or any strain of the foregoing), or other epidemic and/or pandemic diseases) in a particular region may weaken economic conditions and reduce the value of affected Properties and/or negatively impact the ability of the affected Borrowers to make timely payments on the mortgage loans. In addition, governmental action or inaction in respect of, or responses to, any widespread health crises or such potential crises (such as those mentioned previously), whether in the UK or in any other jurisdiction, may lead to a deterioration of economic conditions both globally and also within the UK. This may

result in a loss being incurred upon the sale of the Property and/or otherwise affect receipts on the Loans. 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, 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.

Additional risk is posed by the increased severity and frequency of extreme climate and weather events resulting from climate change. Such risks can be related to individual extreme weather events or chronic risks associated with gradual shifts in climate. An increase in the severity of rainfall and its concentration over relatively short periods is expected to heighten the likelihood of flash flooding, which could result in physical damage to Properties and which may result in a loss being incurred upon the sale of the Property and/or otherwise affect receipts on the Loans. Furthermore, rising sea levels and increased coastal erosion may result in physical damage to (or a drop in the value of) Properties in coastal location and which may result in a loss being incurred upon the sale of the Property and/or otherwise affect receipts on the Loans. This in turn may adversely affect the ability of the LLP to make payments under the Covered Bond Guarantee.

If the timing of the payments, as well as the quantum of such payments, in respect of the mortgage loans is adversely affected by any of the risks described above, then payments on the Covered Bonds could be reduced and/or delayed and could ultimately result in losses on the Covered Bonds if timing and payment of the Loans are adversely affected by such risks.

Factors that may affect the realisable value of the 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 Loans and their Related Security comprised in the Portfolio may be reduced (which may affect the ability of the LLP to make payments under the Covered Bond Guarantee) by:

- representations or warranties not being given by the LLP or (unless otherwise agreed with the Seller) the Seller;
- default by Borrowers of amounts due on their Loans;
- the Loans of New Sellers being included in the Portfolio;
- changes to the Lending Criteria of the Seller;
- the LLP not having legal title to the Loans in the Portfolio;
- risks in relation to some types of Loans which may adversely affect the value of Portfolio or any part thereof;
- limited recourse to the Seller;
- possible regulatory changes by FCA, the PRA, the Competition & Markets Authority (**CMA**) and other regulatory authorities; and
- regulations in the UK that could lead to some terms of the Loans being unenforceable, cancellable or subject to set-off.

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 or decree. 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. Similar considerations apply in Scotland, where the secured creditor must also usually obtain a court order to enforce a power of sale in respect of a mortgaged property. If obtaining possession of properties and arranging a sale in such circumstances is lengthy or costly, the ability of the LLP to make payments under the Covered Bond Guarantee may be reduced. The LLP'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.

In Scotland, although a heritable creditor (the Scottish equivalent of a mortgagee) does not require to take possession in order to exercise a power of sale, additional requirements imposed by Part 1 of the Home Owner and Debtor Protection (Scotland) Act 2010 mean that the heritable creditor must obtain a court order to exercise its power of sale (in addition to initiating the statutory enforcement process pursuant to the Conveyancing and Feudal Reform (Scotland) Act 1970 by the service of a two-month "calling-up" notice) unless the borrower and other occupiers have surrendered the property voluntarily. In applying for the court order, the heritable creditor also has to demonstrate that it has taken various preliminary steps to attempt to resolve the borrower's position and comply with further procedural requirements. This may have an adverse effect in markets experiencing above average levels of repossession claims and may result in lower recoveries and may reduce the Issuer's ability to make payments on the Covered Bonds.

Each of these factors is 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 Loans in the 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 Loans and their Related Security could be realised for sufficient values to enable the LLP to meet its obligations under the Covered Bond Guarantee.

No representations or warranties to be given by the LLP or the Seller if Selected 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 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 – Method of Sale of Selected Loans and their Related Security*"). In respect of any sale of Selected 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 Loans and their Related Security (unless expressly permitted to do so by the Security Trustee, acting on the instructions of the Bond Trustee, itself acting on advice of a financial or other adviser (selected or approved by it) opining or confirming that the provision of any such warranties and/or indemnities is appropriate in the circumstances and in accordance with market practice and neither the Security Trustee nor the Bond Trustee will have any liability or be liable to any other person for acting upon such advice, opinion or confirmation). The Security Trustee will not be required to release the Selected Loans from the Security unless the conditions relating to release of the Security as set out in Clause 4 of the Deed of Charge are satisfied). There is no assurance that the Seller would give any representations and warranties in respect of the Selected Loans and their Related Security. Any Representations and Warranties previously given by the Seller in respect of the Loans in the 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 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.

Neither the Bond Trustee nor the Security Trustee has any responsibility for the adequacy or sufficiency, or any deterioration in the value, of the Portfolio or the Loans and their Related Security comprised in the Portfolio, nor will the Bond Trustee or the Security Trustee be obliged to monitor the performance of the Portfolio or the Loans and their Related Security comprised in the Portfolio or be responsible for monitoring whether or not the best price has been achieved for the sale of Loans (including Selected Loans) and their Related Security (and any other related rights under the same) by or on behalf of the LLP or otherwise pursuant to the Transaction Documents or whether or not any such sale has been effected on terms commercially available in the market or effected in a timely manner. Neither the Bond Trustee nor the Security Trustee shall be liable to any Secured Creditor, including the Covered Bondholders, or any other person for any loss occasioned thereby.

Default by Borrowers in paying amounts due on their Loans. Borrowers may default on their obligations due under the Loans. Defaults may occur for a variety of reasons. The Loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal. Examples of such factors include changes in the national or international economic climate, regional economic (due to local, national and/or global macroeconomic and geopolitical factors such as the war between Russia and Ukraine) or housing conditions, changes in tax laws, interest rates, inflation and the costs of living (including rising energy costs), the availability of financing, yields on alternative investments, political developments, government policies and widespread health crises or the fear of such crises (including but not limited to coronavirus or measles or other epidemic diseases). Global interest rates have risen from their historical lows, as central banks seek to manage inflation, and an increase in interest rates, or the speed at which they rise, may adversely affect Borrowers' ability to pay interest or repay principal on their Loans. Other factors in Borrowers' individual, personal or financial circumstances may affect the ability of Borrowers to repay the Loans. Loss of earnings, illness, divorce or widespread health crises or the fear of such crises and other similar factors may lead to an increase in delinquencies by and bankruptcies of Borrowers, and could ultimately have an adverse impact on the ability of Borrowers to repay the Loans. In addition, the ability of a Borrower to sell a property given as security for a Loan at a price sufficient to repay the amounts outstanding under that 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.

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 or decree. 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 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 Tailored Support Guidance provided that from 1 April 2021, subject to any relevant government restrictions on repossessions, lenders could enforce repossession as long as they act in accordance with the Tailored Support Guidance, MCOB 13 and relevant regulatory and legislative requirements. The Tailored Support Guidance provides that there is no ‘one-size-fits-all' approach to how long lenders should offer forbearance before starting a court process but action to seek possession should be a last resort and not be started unless all other reasonable attempts to resolve the position have failed.

There can be no assurance that the FCA, or other UK government or regulatory bodies, may not take further steps in response to the Covid-19 pandemic in the UK which may impact the performance of the Loans, including further amending and extending the scope of the above guidance.

The True Balance of any Defaulted Loans in the Portfolio will be given a reduced weighting for the purposes of any calculation of the Asset Coverage Test and the Amortisation Test.

The Loans of New Sellers may be included in the Portfolio. New Sellers which are members of the Leeds Group, may in the future accede to the Programme and sell Loans and their Related Security to the LLP. However, this would only be permitted if the conditions precedent relating to New Sellers acceding to the Programme (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 Loans originated by the Seller. If the lending criteria differ in a way that affects the creditworthiness of the loans in the Portfolio, that may lead to increased defaults by Borrowers and may affect the realisable value of the Portfolio or any part thereof or the ability of the LLP to make payments under the Covered Bond Guarantee. As noted above, however, Defaulted Loans in the Portfolio will be given a reduced weighting for the purposes of the calculation of the Asset Coverage Test.

Changes to the Lending Criteria of the Seller. Each of the Loans originated by the Seller will have been originated in accordance with its Lending Criteria at the time of origination. It is expected that the Seller's Lending Criteria will generally consider type of property, term of loan, age of applicant, the loan-to-value ratio, status of applicants and credit history. In the event of the sale or transfer of any Loans and Related Security to the LLP, the Seller will warrant only that such Loans and Related Security were originated in accordance with the Seller's Lending Criteria applicable at the time of origination. The Seller retains the right to revise its Lending Criteria from time to time. If the Lending Criteria change in a manner that affects the creditworthiness of the Loans, that may lead to increased defaults by Borrowers and may affect the realisable value of the Portfolio, or part thereof, and the ability of the LLP to make payments under the Covered Bond Guarantee. As noted above, however, Defaulted Loans in the Portfolio will be given a reduced weighting for the purposes of the calculation of the Asset Coverage Test and the Amortisation Test.

Interest Only Loans. The Portfolio may contain Loans that may be repayable on an interest-only basis. Where the Borrower is only required to pay interest during the term of the Loan, with the capital being repaid in a lump sum at the end of the term, unless the Loan is a buy to let loan, the Borrower is required to ensure that they have a repayment strategy in place for 12 months before the date of the Loan (only applicable for non-sale of property). The Seller's previous policy (changed in 2012) was not to verify or require proof that such repayment mechanism was in place and not to take security over any investment policies taken out by Borrowers. Notwithstanding this, the Seller would previously have reviewed the repayment mechanism in line with wider underwriting requirements; including, the size of the Loan, the applicant's age, income, declining the application if the case was deemed to be unacceptable. Currently, the Issuer verifies each repayment vehicle, including pensions, endowments and general savings and investments. The Seller does not take security over any investment policies taken out by Borrowers. The maximum loan to value for all interest only loans is 60 per cent. and where sale of property is used as the repayment strategy, there must be a minimum equity in the property in line with a regional property price matrix, which is validated using the mortgage valuation. Interest only is not allowed for shared ownership or shared equity lending.

Borrowers may not have been making payment in full or on time of the premiums due on any relevant investment or life policy, which may therefore have lapsed and/or no further benefits may be

accruing thereunder. In certain cases, the policy may have been surrendered but not necessarily in return for a cash payment and any cash received by the Borrower may not have been applied in paying amounts due under the Loan. Thus the ability of such a Borrower to repay an interest-only loan at maturity without resorting to the sale of the underlying property depends on such Borrower's responsibility in ensuring that sufficient funds are available from a given source such as pension policies, PEPs, ISAs or endowment policies, as well as the financial condition of the Borrower, tax laws and general economic conditions at the time. If a Borrower cannot repay an interest-only loan and a loss occurs, this may affect repayments on the Covered Bonds. However, 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.

The LLP does not have legal title to the Loans in the Portfolio on the relevant Transfer Date. The sale by the Seller to the LLP of English Loans and Northern Irish Loans and their Related Security has taken or will take effect by way of an equitable assignment. The sale by the Seller to the LLP of Scottish Loans and their Related Security has been or will be given effect by way of Scottish Declarations of Trust under which the beneficial interest in the Scottish Loans and their Related Security has been or will be transferred to the LLP. As a result, legal title to all of the English Loans, Northern Irish Loans and Scottish Loans and each of their Related Security will remain with the Seller. The LLP, however, will have the right to demand that the Seller transfers to it legal title to the Loans and the Related Security in the limited circumstances described in "*Summary of the Principal Documents – Mortgage Sale Agreement – Transfer of title to the Loans to the LLP*" and until such right arises the LLP will not give notice of the sale of the English Loans and their Related Security to any Borrower or apply to the Land Registry or the Central Land Charges Registry to register or record its equitable interest in the Loans and their Related Security or take any steps to perfect its title to the Scottish Loans and their Related Security or the Northern Irish Loans and their Related Security.

Since the LLP has not obtained legal title to the Loans or their Related Security and has not protected its interest in the English Loans and their Related Security by registration of a notice at the Land Registry or otherwise perfected its legal title to any of the Loans or their Related Security, the following risks exist:

- *first*, if the Seller wrongly sells a Loan and its Related Security, which has already been sold to the LLP, to another person and that person acted in good faith and did not have notice of the interests of the LLP in the Loan and its Related Security, then such person might obtain good title to the Loan and its Related Security, free from the interests of the LLP. If this occurred then the LLP would not have good title to the affected Loan and its Related Security and it would not be entitled to payments by a Borrower in respect of that Loan. However, the risk of third-party claims obtaining priority to the interests of the LLP would be likely to be limited to circumstances arising from a breach by the Seller of its contractual obligations or fraud, negligence or mistake on the part of the Seller or the LLP or their respective personnel or agents;

- *second*, the rights of the LLP may be subject to the rights of the Borrowers against the Seller, such as rights of set-off, which occur in relation to transactions or deposits made between Borrowers and the Seller, and the rights of Borrowers to redeem their mortgages by repaying the Loans directly to the Seller; and

- *third*, unless the LLP has perfected the assignment or assignation (as appropriate) of the Loans and their Related Security (which it is only entitled to do in certain limited circumstances), the LLP would not be able to enforce any Borrower's obligations under

a Loan or Mortgage itself but would have to join the Seller as a party to any legal proceedings.

If any of the risks described in the first two bullet points above were to occur then the realisable value of the Portfolio or any part thereof and/or the ability of the LLP to make payments under the Covered Bond Guarantee may be affected.

Once notice has been given to the Borrowers of the completed assignment or assignation (as appropriate) of the 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 Loan) will not be affected by that notice and will continue to exist. In relation to potential transaction set-off in respect of the Loans, see below.

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 Loans and their Related Security.

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.

Loans are subject to certain legal and regulatory risks. Certain regulatory risks exist in relation to the Loans, including in relation to the legal and regulatory considerations relating to the Loans and their Related Security, changes in law, regulation, the possibility of complaints by Borrowers in relation to the terms of the 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 or, if applicable, the LLP's ability to make payments under 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 "*Further Information relating to the regulation of 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 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 such set off in respect of the Loans may adversely affect the LLP's ability to make payments on the Covered Bond Guarantee. Further detail is included in the section headed ""*Further Information relating to the regulation of Mortgages in the UK –Regulated Mortgage Contracts*"" 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 LLP's ability to make payment on the Covered Bond Guarantee when due. "*Further Information relating to the regulation of Mortgages in the UK – Regulation of buy-to-let Mortgages*" below.

Consumer buy-to-let loans: If any of the Loans in the Cover Pool are Consumer Buy-to-Let Loans, then the Seller will be subject to a number of conduct standards. The FCA has supervisory and enforcement powers in respect of such conduct standards. The exercise of such supervisory and enforcement powers by the FCA may adversely affect the ability of the LLP to make payments under the Covered Bond Guarantee.

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 Portfolio will not have a material adverse effect on the Seller, the LLP and/or the Servicer and their respective businesses and operations. There can be no assurance that any such changes (including changes in regulators' responsibilities) will not affect the Loans. Any such changes (including changes in regulators' responsibilities) may also adversely affect the Issuer's operating results, financial condition and prospects. Further detail is included in the section headed ""*Further Information relating to the regulation of Mortgages in the UK – Changes to UK mortgage regulation and to the regulatory structure in the UK*"" below.

Unfair Relationships and PPI claims. If a court has determined that there was an unfair relationship between the Lender and the Borrowers in respect of the Loans, except in relation to Regulated Mortgage Contracts, and ordered that financial redress was made in respect of such Loans, or, if redress was due in accordance with the FCA's guidance on payment protection insurance complaints, such redress may adversely affect the ultimate amount received by the LLP in respect of the relevant Loans, and the realisable value of the Portfolio and/or the ability of the LLP to make payments under the Covered Bond Guarantee. Further detail is included in the section headed ""*Further Information relating to the regulation of Mortgages in the UK – Unfair relationships*"" below.

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

UTCCR and CRA. The UTCCR and CRA provide that a consumer may, in certain circumstances, challenge a term in an agreement on the basis that it is unfair. The 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/or the CRA may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans. If any term of the Loans entered into between 1 July 1995 and 30 September 2015 is

found to be unfair for the purpose of the UTCCR and the CRA, 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 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 this may adversely affect the LLP's ability to make payments on the Covered Bond Guarantee.

If any term of the 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 changes in legislation, guidance or case law on unfair terms will not have a material adverse effect on the Seller, the LLP and/or the Servicer and their respective businesses and operations. There can be no assurance that any such changes (including changes in regulators' responsibilities) will not affect the Loans. Further detail in relation to both the UTCCR and the CRA is included in the section headed "*Further Information relating to the regulation of Mortgages in the UK – Unfair Terms in Consumer Contracts Regulations 1994 and 1999 and the Consumer Rights Act 2015*" below.

Consumer Protection from Unfair Trading Regulations 2008: the Consumer Protection from Unfair Trading Regulations 2008 (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 LLP's ability to make payments on the Covered Bond Guarantee. Further detail in relation to the CPUTR and the Unfair Practices Directive is included in the section headed " *Further Information relating to the regulation of Mortgages in the UK – Unfair Terms in Consumer Contracts Regulations 1994 and 1999 and the Consumer Rights Act 2015*" below.

Financial Ombudsman Service: Under the FSMA, the Financial Ombudsman Service (the **Ombudsman**) is required to make decisions on, among other things, complaints relating to activities and transactions under its jurisdiction. As the Ombudsman is required to make decisions on the basis of, among other things, the principles of fairness, and may order a money award to a borrower, it is not possible to predict how any future decision of the Ombudsman would 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 Mortgages in the UK – Financial Ombudsman Service" 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. The Home Owner and Debtor Protection (Scotland) Act 2010 may have adverse effects in markets experiencing above average levels of repossession claims and may result in lower recoveries and may reduce the Issuer's ability to make payments on the Covered Bonds.

Delays in the initiation of responsive action in respect of the 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 entitled "*Further Information Relating to the Regulation of Mortgages in the UK - Mortgages and coronavirus – Pre-action Protocol for mortgage repossession cases*"" below.

FCA Consumer Duty. The FCA has published final rules on the introduction of a new consumer duty on regulated firms (the **Consumer Duty**), which aims to set a higher level of consumer protection in retail financial markets. It is unclear, despite the guidance from the FCA, how the Consumer Duty will operate. If (for example) the obligations relating to fair value or not causing harm are not met in relation to the Loans, it could adversely affect the amounts received or recoverable in relation to the Loans. This 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 "Further Information Relating to the Regulation of Mortgages in the UK – FCA Consumer Duty".

The Renting Homes Act. The Renting Home (Wales) Act 2016 (the **Renting Homes Act**) received royal assent on 18 January 2016 but has not yet been brought fully into force. This Act will convert the majority of residential tenancies in Wales into a 'standard contract' with retrospective effect when it has been brought into force, however some tenancies will not be converted with retrospective effect (including those which have Rent Act protection and tenancies for more than 21 years).

The Renting Homes Act (which has effect only 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.

The Renting Homes Act may result in lower recoveries in relation to buy-to-let mortgages over Properties in Wales and may affect the ability of the LLP to make payments under the Covered Bond Guarantee.

Assured Shorthold Tenancy (AST). Currently, there is a risk 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 three 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 three months' ground rent by the date of the court hearing,

the long lease will come to an end and the landlord will be able to re-enter the relevant property. This may adversely affect the LLP's ability to make payments on the Covered Bond Guarantee. Further detail is included in the section headed ""*Further Information relating to the regulation of Mortgages in the UK – Assured Shorthold Tenancy (AST)*"" 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 Loans and their Related Security is enforceable (subject to exceptions). If a 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 on 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.

4. RISKS RELATING TO REGULATION OF THE COVERED BONDS

UK regulated covered bond regime. On 1 May 2009, the Issuer was admitted to the register of issuers and the Programme (and the Covered Bonds previously issued under the Programme) was 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 covered

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 the Covered Bondholders.

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

5. RISKS RELATING TO COUNTERPARTIES

Reliance of the LLP on third parties. The LLP has entered into agreements with a number of third parties, who have agreed to perform services for the LLP. In particular, but without limitation, the Servicer has been appointed to service Loans in the 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 and the GIC Account and Transaction Account will be held with the Account Bank, the Stand-by GIC Account and the Stand-by Transaction Accounts will be held with the Stand-by Transaction Account Bank and the LBS Reserve Fund Account will be held with the Stand-by Transaction 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 Portfolio or any part thereof or pending such realisation (if the 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 Servicer has failed to manage the Loans adequately, 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 a Servicer Event of Default occurs pursuant to the terms of the Servicing Deed, then the LLP, with the consent of the Security Trustee, will be entitled to terminate the appointment of the Servicer and appoint a new servicer in its place. There can be no assurance that a substitute servicer with sufficient experience of managing mortgages of residential properties would be found who would be willing and able to service the Loans on the terms of the Servicing Deed. In addition, as described below, any substitute servicer will be required to be authorised under the FSMA. The ability of a substitute servicer 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 servicer may affect the realisable value of the Portfolio or any part thereof and/or the ability of the LLP to make payments under the Covered Bond Guarantee. However, if the Servicer ceases to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa1 or by Fitch of at least BBB, the Servicer will use reasonable efforts to appoint a back-up servicer facilitator acceptable to the LLP within 60 days of the Servicer ceasing to be assigned such ratings. If the Servicer ceases to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa3 or by Fitch of at least BBB-, it will, with the back-up servicer facilitator, use reasonable efforts to enter into a back-up servicing deed, in form and substance acceptable to the parties to the Servicing Deed, with a suitably experienced third party acceptable to, and which shall be appointed by, the LLP within 60 days of the Servicer ceasing to be assigned such rating.

The Servicer 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 Servicer under the Servicing Deed.

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 Covid-19, 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.

Neither the Security Trustee nor the Bond Trustee is obliged in any circumstances to act as a servicer or to monitor the performance by the Servicer of its obligations.

Reliance on Swap Providers. To provide a hedge against possible variances in the rates of interest payable on the Loans in the Portfolio (which may, for instance, include variable rates of interest, discounted rates of interest, fixed rates of interest or rates of interest which track the base rate) and SONIA, the LLP has entered into the Interest Rate Swap Agreement with the Interest Rate Swap Provider. In addition, to provide a hedge against interest rate and currency risks in respect of amounts received by the LLP under the Loans and the Interest Rate Swap 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.

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 a 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 in 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 required by any of the Rating Agencies 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) ahead of amounts due on the Covered Bonds in respect of the Interest Rate Swap prior to the service of an LLP Acceleration Notice, the commencement of winding-up proceedings against the LLP and/or realisation of the Security and (B) *pari passu* with amounts due on the Covered Bonds in respect of the Covered Bond Swaps and in respect of the Interest Rate Swap following service of an LLP Acceleration Notice, the commencement of winding-up proceedings against the LLP and/or realisation of the Security, 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.

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) are required to satisfy

certain criteria, pursuant to those Transaction Documents, in order that they can continue to receive and hold monies.

These criteria include those criteria imposed under the FSMA and criteria in relation to the short-term and/or long-term, unguaranteed and unsecured ratings ascribed to such party by Fitch and Moody's. If the party concerned ceases to satisfy the applicable criteria, including the ratings criteria detailed below, 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.

6. RISKS RELATING TO STRUCTURAL AND DOCUMENTATION CHANGES

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 Condition 14 (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*), and certain provisions of the Trust Deed 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 (save in relation to a Series Reserved Matter) to, or waive or authorise any breach or proposed breach in respect of, the Transaction Documents and the Terms and 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 the Bond Trustee is of the opinion that such modification, waiver and authorisation or determination will not be materially prejudicial to the interests of any of the Covered Bondholders of any Series; or

- which in the opinion of the Bond Trustee is of a formal, minor or technical nature or made to correct a manifest error or to comply with any mandatory provisions of law,

provided that, prior to the Security Trustee or the Bond Trustee agreeing to any such modification, waiver, authorisation or determination, the Issuer must send written confirmation to the Security Trustee and the Bond Trustee:

(i) that such modification, waiver, authorisation or determination, as applicable, would not: (a) result in a breach of the RCB Regulations or the RCB Sourcebook or (b) 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) that 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 consent 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, 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 the Conditions of the Covered Bonds that are requested by the Issuer and/or the LLP for the purpose of 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.

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 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 amendment).

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.

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 relation to any Covered Bonds issued after 11 September 2018, 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 14 (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*) (and, in each case, making such other amendments as are necessary or advisable in the reasonable judgement 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 or SONIA, 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.

In the absence of 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 that such Covered Bondholders do not consent to the modification, all Covered Bondholders will be deemed to have consented to such modification and the Bond Trustee shall, subject to the requirements of Condition 14 (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*), 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. There can therefore be no assurance that the interests of Covered Bondholders will not ultimately be adversely affected in certain circumstances by such a modification despite any objections raised.

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

In having regard to the interests of the Covered Bondholders, the Security Trustee shall be entitled to rely solely on a written confirmation from the Bond Trustee as to whether, in the opinion of the Bond Trustee, any matter, action or omission is or is not in the interests of or is not prejudicial or materially prejudicial to the interests of, the Covered Bondholders. The Bond Trustee has sole responsibility for resolving conflicts of interest as between the Covered Bondholders or any Series or class of them, subject to and in accordance with the provisions of the Trust Deed and the Conditions.

If, in connection with the exercise of its powers, trusts, authorities or discretions, the Bond 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 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. Investors should therefore be aware of the risk that a matter determined either by the Bond Trustee or by way of an Extraordinary Resolution or written direction of the Covered Bondholders of the relevant Series may not be determined in the manner desired by that particular investor.

7. MACROECONOMIC AND MARKET RISKS

Absence of secondary market. There can be no assurance that a secondary market for the Covered Bonds will always remain available. The Covered Bonds have not been, and will not be, registered under the Securities Act, or any other applicable securities laws and are subject to certain restrictions on the resale and other transfer thereof as set forth under "Subscription and Sale and Transfer and Selling Restrictions", below. If a secondary market is available, it may not continue for the life of the Covered Bonds or it may not provide Covered Bondholders with liquidity of investment with the result that a Covered Bondholder may not be able to find a buyer to buy its Covered Bonds readily or at prices that will enable the Covered Bondholder to realise a desired yield. Consequently, a Covered Bondholder must be able to bear the economic risk of an investment in a Covered Bond for an indefinite period of time. The market values of Covered Bonds are also likely to fluctuate and any of these fluctuations may be significant and could result in significant losses to Covered Bondholders.

The market continues to develop in relation to SONIA as a reference rate for Floating Rate Covered Bonds.

Where the applicable Final Terms for a Series of Covered Bonds identifies that the Rate of Interest for such Covered Bonds will be determined by reference to the Sterling Overnight Index Average (**SONIA**), the Rate of Interest will be determined on the basis of Compounded Daily SONIA (as defined in the Conditions). The use of SONIA as a reference rate for Eurobonds is nascent, and is subject to change and development, both in terms of the substance of the calculation and in the

development and adoption of market infrastructure for the issuance and trading of bonds referencing SONIA.

Investors should be aware that the market continues to develop in relation to SONIA as a reference rate in the capital markets and its adoption as a successor to Sterling LIBOR. In particular, market participants and relevant working groups are exploring alternative reference rates based on SONIA, including term SONIA reference rates (which seek to measure the market's forward expectation of an average SONIA rate over a designated term). The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Conditions and used in relation to Floating Rate Covered Bonds that reference a SONIA rate issued under this Prospectus. Investors should carefully consider how any mismatch between the adoption of SONIA reference rates across other markets, such as the derivatives and loan 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 Compounded Daily SONIA. Interest on Covered Bonds which reference a SONIA rate is only capable of being determined at the end of the relevant Observation Period and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Covered Bonds which reference a SONIA rate to reliably estimate the amount of interest which will be payable on such Covered Bonds. 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 the Covered Bonds. Further, if the Floating Rate Covered Bonds become due and payable under Condition 9 (*Events of Default and Enforcement*), the Rate of Interest payable shall be determined on the date on which the Covered Bonds became due and payable and shall not be reset thereafter. Investors should consider these matters when making their investment decision with respect to any such Floating Rate Covered Bonds.

Eligibility of the Covered Bonds for central bank schemes is subject to the applicable collateral framework criteria and could have an impact on the liquidity of the Covered Bonds in general

Whilst central bank schemes (such as the Bank of England's Discount Window Facility, the Indexed Long-Term Repo Facility and other schemes under its Sterling Monetary Framework, and the Eurosystem monetary policy framework for the European Central Bank), including emergency liquidity operations introduced by central banks in response to a financial crisis or a wide-spread health crisis (such as the Covid-19 pandemic), provide an important source of liquidity in respect of eligible securities, relevant eligibility criteria for eligible collateral apply (and will apply in the future) under such schemes and liquidity operations. 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.

General volatility in wholesale funding markets. Since the second half of 2007, disruption in the global markets, coupled with the re-pricing of credit risk and the deterioration of the housing markets in the United States and elsewhere, have created difficult conditions in the financial markets. These conditions have resulted in historic volatility, less liquidity or no liquidity, widening of credit spreads and a lack of price transparency in certain markets, both primary and secondary, including with respect to the mortgage-backed securities and covered bond markets. These adverse market conditions have resulted in the failures of a number of financial institutions in the United States and Europe and unprecedented action by governmental authorities, regulators and central banks around the world including as a result of the UK's withdrawal from the EU (please see risk factor "*Political Uncertainty*"). While such market conditions have shown signs of improvement in certain sectors of the global credit

markets, it is difficult to predict whether, or to what extent, such market improvement will continue and/or how long the adverse market conditions will continue to exist. Additionally, there can be no assurance that the market for covered bonds will continue to recover, or to the same degree, as other recovering global credit market sectors.

If wholesale funding markets do not continue to improve, or deteriorate further, it may have an adverse effect on the ability of the Society (acting in its various capacities under the Programme) to fulfil its ongoing obligations under the Programme and, as a result, the performance of the Covered Bonds may be adversely affected.

8. LEGAL AND REGULATORY RISKS

Changes of 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 Loans and Northern Irish Loans, Scots law and Northern Irish law respectively) 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, Welsh law, Scots law or Northern Irish 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.

No assurance can be given that additional regulations or guidance from the regulators, or any other regulatory authority will not arise with regard to the mortgage market in the UK generally (including without limitation, in relation to matters arising from changes to the FCA's MCOB rules), the Seller's particular sector in that market or specifically in relation to the Seller. Any such action or developments or compliance costs may have a material adverse effect on the Loans, the Seller, the LLP, the Issuer and/or the Servicer and their respective businesses and operations. This may adversely affect the ability of the LLP to dispose of the Portfolio or any part thereof in a timely manner and/or the realisable value of the Portfolio or any part thereof and accordingly affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee when due.

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 subordination of payments under 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 Payments, 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.

Expenses of insolvency officeholders. Under the RCB Regulations (assuming such regulations apply to the LLP), 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 it would appear 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 costs incurred by the officeholder (including an administrative receiver, receiver, liquidator or administrator) 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 (among 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 risk factor described below under "*Liquidation Expenses*".

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, among other things, its interests in the English 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 took effect from 1 December 2020 reintroduced certain amounts owed to the UK tax authorities, which will become 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 debtor on behalf of the tax authorities and will include amounts in respect of PAYE, employee national insurance contributions and construction industry scheme deductions. However, 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.

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.

An equivalent risk applies under Northern Irish law in relation to the Northern Irish Loans and their Related Security.

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 Loans and their Related Security.

English law security and insolvency considerations. The LLP entered into the Deed of Charge on the Initial Programme Date, pursuant to which it granted the Security in respect of its obligations under the Covered Bond Guarantee (as to which, see "*Summary of the Principal 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. The changes include, among other things: (i) the introduction of a new moratorium regime that certain eligible companies can obtain which will prevent creditors from 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 (a 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. Whilst the Issuer and the LLP are expected to be exempt from the application 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 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 laws and, if appropriate, Scottish and Northern Irish insolvency laws or the laws affecting creditors' rights generally).

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, 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 (among 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.

Liquidation Expenses. Under the Insolvency Act 1986 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 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 (England and Wales) Rules 2016 (as amended) as applied to LLPs by virtue of the Insolvency (Miscellaneous Amendments) Regulations 2017 (SI 2017/1119).

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.

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 and Scottish law purposes and have unlimited capacity. A general description of limited liability partnerships is set out in the section entitled "*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 which could, in turn, adversely affect the interests of the Covered Bondholders.

UK Banking Act 2009. The Banking Act includes (among other things) provision for a special resolution regime pursuant to which specified UK authorities have extended tools to deal with the failure (or likely failure) of certain UK incorporated entities, including authorised deposit-taking institutions and certain authorised investment firms, and powers to take certain resolution actions in respect of UK branches of third country institutions. In addition, powers may be used in certain circumstances in respect of UK established banking group companies, where such companies are in the same group as a relevant UK or third country institution. Relevant transaction parties for these purposes include the Issuer, the Seller, the Servicer, the Account Bank, the Interest Rate Swap Provider, the Cash Manager, the Principal Paying Agent, the Agent Bank, the Exchange Agent, the Registrar, the GIC Provider, the Stand-by Account Bank or the Stand-by GIC Provider.

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. In respect of UK building societies, the relevant tools include: (i) modified property transfer powers which also refer to cancellation of shares and conferring rights and liabilities in place of such shares, (ii) modified share transfer powers as well as a public ownership tool which may involve (among other things) arranging for deferred shares in a building society to be publicly owned, cancellation of private membership rights and the eventual winding-up or dissolution of the building society; and (iii) modified bail-in powers such that exercise of the tool may be immediately preceded by the demutualisation of the building society through the conversion of it into a company or the transfer of all of the property, rights or liabilities of the society to a company. 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 Banking 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 UK. 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 UK authorities may choose to exercise them.

The Banking Reform Package has also, among other things, introduced new powers for competent authorities and resolution authorities, such as a new moratorium power. While EU member states had been expected to adopt and publish the necessary measures by 28 December 2020, the UK implemented such measures on that date but later repealed certain of those measures on 31 December 2020.

If an instrument or order were to be made under the provisions of the Banking Act currently in force in respect of a relevant entity as described above (including the Issuer), such action may (among other things) affect the ability of the relevant entity to satisfy its obligations under the Transaction Documents (including limiting its capacity to meet its repayment obligations) and/or result in the cancellation, modification or conversion of certain unsecured liabilities of such entity under the Transaction Documents (possibly preceded by demutualisation in the case of a building society such as the Issuer), including any unsecured portion of the liability in respect of the Covered Bonds at the relevant time and/or in other modifications to the Terms and Conditions of the Covered Bonds 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 Loans and the Issuer Events of Default). As a result, the making of an instrument or order in respect of the Issuer, the Seller, the Servicer, the Account Bank, the Interest Rate Swap Provider, the Cash Manager, the Principal Paying Agent, the Agent Bank, the Exchange Agent or the Registrar 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 in the preceding paragraph 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 Banking 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 the BRRD providing for the establishment of an EEA-wide framework for the recovery and resolution of credit institutions, 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 other 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.

Regulatory initiatives and reforms 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 Guarantor, the Lead Managers, the Dealer(s) or the Arranger makes any representation to any prospective investor or purchaser of the Covered Bonds regarding the treatment of its investment on the date of issuance of any Covered Bond or at any time in the future.

In particular, it should be noted that the BCBS has approved a series of significant changes to the Basel regulatory capital and liquidity framework (such changes being referred to by the BCBS as Basel III). Basel III provides for a substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio "backstop" for financial institutions and certain minimum liquidity standards (referred to as the **Liquidity Coverage Ratio** and the **Net Stable Funding Ratio**). These final Basel III standards were originally intended to take effect from January 2022 and phased in over five years but the Covid-19 pandemic resulted in a one-year deferral of this implementation period by BCBS member countries. As implementation of Basel III requires national legislation, the final rules and the timetable for its implementation in each jurisdiction, as well as the treatment of covered bonds, may be subject to some level of national variation. It should also be noted that changes to regulatory capital requirements have been made for insurance and reinsurance undertakings through participating jurisdiction initiatives, such as the Solvency II framework in EU member states. Prospective investors should therefore make themselves aware of the requirements described above (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.

Covered bond reforms made up of a new covered bond directive (Directive (EU) 2019/2162) and a new regulation (Regulation (EU) 2019/2160) have applied in the EU since 8 July 2022 (both texts have relevance for the EEA and have been, or are to be implemented in due course, in other countries in the EEA). The new covered bond directive replaces current Article 52(4) of Directive 2009/65/EC (the **UCITS Directive**) and establishes a revised common base-line for issue of covered bonds for EU regulatory purposes (subject to various options that member states may choose to exercise when implementing the new directive through national laws). The new regulation has been directly applicable in the EU since 8 July 2022 and it amends Article 129 of the 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 transposition into national laws has only recently been completed, the final position is not yet known. In the UK, the FCA indicated that it intends to implement the EU covered bond reforms, but it remains unclear when the consultation on the review of the UK regime will be 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 no longer available in respect of the Covered Bonds after 31 January 2020 following the UK's departure from the EU. Furthermore, none of the Covered Bonds will be grandfathered under the EU covered bond reforms, 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 implementing measures came into force, 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 Delegated Regulation (EU) 2018/1620 (as amended), provided that 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.

EU CRA Regulation and UK CRA Regulation.

One or more independent credit rating agencies may assign credit ratings to the Covered Bonds. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Covered Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors (such as investment firms, insurance and reinsurance undertakings, UCITS funds and certain hedge fund managers) are restricted under the EU CRA Regulation from using credit ratings issued by a credit rating agency for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation unless the rating is provided by a credit rating agency operating in the EU or the UK before 7 June 2010 which has submitted an application for registration in accordance with the EU CRA Regulation and such registration has not been refused). Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (ESMA) on its website in accordance with the EU CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

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 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.

If the status of the rating agency rating the Covered Bonds changes for the purposes of the EU CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Covered Bonds may have a different regulatory treatment, which may impact the value of the Covered Bonds and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

Pensions Act 2004. Under the Pensions Act 2004, a person that is "connected with" or an "associate" of a participating 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 with" the Issuer.

A contribution notice could be served on the LLP if it were party to an act, or a deliberate failure to act: (a) that has caused a material detriment to the pension scheme (whether or not intentionally); or (b) a deliberate failure to act, 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 UK 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.

Volcker Rule. The enactment of the Dodd-Frank Act, which was signed into law on 21 July 2010, imposed a new regulatory framework over the U.S. financial services industry and the U.S. consumer credit markets in general. On 10 December 2013, U.S. regulators adopted final regulations to implement Section 619 of the Dodd-Frank Act, which added a new section 13 to the Bank Holding Company Act of 1956, commonly referred to as the **Volcker Rule**. The Volcker Rule generally prohibits "banking entities" (broadly defined to include U.S. banks, bank holding companies and foreign banking organisations, together with their respective subsidiaries and other affiliates) from (i) engaging in proprietary trading, (ii) acquiring or retaining an ownership interest in, or sponsoring, a "covered fund" and (iii) entering into certain relationships with such funds, subject to certain exceptions and exclusions. 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, although other statutory or regulatory exemptions under the Investment Company Act of 1940, as amended (the **Investment Company Act**), and under the Volcker Rule and its related regulations may be available, 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) thereof and accordingly (ii) the LLP does not rely 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 and 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. 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. If the U.S. Securities and Exchange Commission did take a contrary position this could result in any relevant investor being subject to enforcement proceedings from the U.S. Securities and Exchange Commission.

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 advisors regarding such matters and other effects of the Volcker Rule.

Potential effects of any additional regulatory changes. In the UK and elsewhere, there is continuing political and regulatory scrutiny of the banking industry and, in particular, retail banking. In the UK, the FCA, the PRA and the CMA have carried out, or are currently conducting, several enquiries. In recent years there have been several issues in the UK financial services industry in which the FCA has intervened directly, including the sale of personal pensions and the sale of mortgage-related

endowments. No assurance can be given that changes will not be made to the regulatory regime and developments described above in respect of the mortgage market in the UK 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 Leeds Group and its businesses and operations. This may adversely affect the Issuer's or the LLP's (as the case may be) ability to make payments in full when due on the Covered Bonds.

FORM OF THE COVERED BONDS

The Covered Bonds of each Series will be in either bearer form, with or 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 may be issued both (i) outside the United States to non-U.S. persons in reliance on the exemption from registration provided by Regulation S and (ii) 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, in each case pursuant to an exemption from, or in a transaction not subject to the registration requirements under the Securities Act and any applicable state or local securities laws.

Bearer Covered Bonds

Each Tranche of Bearer Covered Bonds will be initially issued in the form of a temporary global covered bond without interest coupons attached (a **Temporary Global Covered Bond**) or, if so specified in the applicable Final Terms, a permanent global covered bond without interest coupons attached (a **Permanent Global Covered Bond** and, together with the Temporary Global Covered Bonds, the **Bearer Global Covered Bonds** and each a **Bearer Global Covered Bond**) which, in either case, will:

1. 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, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking SA (**Clearstream, Luxembourg**); and

2. if the Bearer Global Covered Bonds are not intended to be issued in NGCB form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg.

While any Bearer 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 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 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 and talons attached (as indicated in the applicable Final Terms and subject, in the case of Bearer Definitive Covered Bonds, to such notice period as is specified 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 and talons attached upon either: (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Covered Bond) to the Principal Paying Agent as described therein; or (ii) only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that: (i) 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 (ii) 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 13 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 paragraph (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 definitive Covered Bonds upon notice from Euroclear and/or Clearstream, Luxembourg (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 Agency Agreement.

Bearer Global Bonds and Bearer Definitive Covered Bonds will bear the restrictive legend described under "*Subscription and Sale and Transfer and Selling Restrictions*".

The following legend will appear on all Permanent Global Covered Bonds and Bearer Definitive Covered Bonds which have an original maturity of more than one year and on all Coupons and Talons relating to such Bearer Covered Bonds where the relevant Final Terms specify that TEFRA D applies:

"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 or 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 or 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 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 2 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.

The Registered Covered Bonds of each Tranche may only be offered and sold in the United States or to or for the account or benefit of U.S. persons in private transactions exempt from registration under the Securities Act: to **qualified institutional buyers** within the meaning of Rule 144A under the Securities Act (**QIBs**).

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) be deposited with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream, Luxembourg; or (ii) be deposited with a common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, or in the name of a nominee of the common safekeeper as specified in the applicable Final Terms. In the case of a Regulation S Global Covered Bond registered in the name of a nominee of DTC, prior to the end of the Distribution Compliance Period applicable to the Covered Bonds represented by such Regulation S Global Covered Bond, interests in such Regulation S Global Covered Bond may only be held through the accounts of Euroclear and Clearstream, Luxembourg.

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.

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 5(d)) 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 5(d)) 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 in the name of a nominee of the common safekeeper, as the case may be, 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 13 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 item (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 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.$250,000 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 Registered Global Covered Bond may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Covered Bond. 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, fails so to do within a reasonable period and the failure shall be continuing.

The Issuer may agree with any Dealer that Covered Bonds may be issued in a form not contemplated by the Terms and Conditions of the Covered Bonds, in which case (if such Covered Bonds are intended to be listed) a new Prospectus will be made available which will describe the effect of the agreement reached in relation to such Covered Bonds.

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 a 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 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.

FORM OF FINAL TERMS

[**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 Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (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; ; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the **EU Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **EU PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them 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 EU PRIIPs Regulation.] [2]

[IMPORTANT – 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 domestic law by virtue of the 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 (**EUWA**); (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 domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of 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.][3]

[MIFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of 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.][4]

UK MIFIR PRODUCT GOVERNANCE/TARGET MARKET – Solely for the purposes of 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

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[2] Legend to be included on front of the Final Terms if the Covered Bonds potentially constitute "packaged" products or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

[3] Legend to be included on front of the Financial Terms if the Covered Bonds potentially constitute "packaged" products or the issuer wishes to prohibit offers to UK retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

[4] Legend to be included on the front of the Final Terms if there are EU MiFID manufacturers involved in a particular issuance.

counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**COBS**), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of 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. 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.

Date [●]

Leeds Building Society

Legal entity identifier (LEI): O8VR8MK4M5SM9ZVEFS35

Issue of [Regulated] [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds] irrevocably and unconditionally guaranteed as to payment of principal and interest by Leeds Building Society Covered Bonds Limited Liability Partnership under the €7 billion Global Covered Bond Programme

The Programme has been registered and notice of these Covered Bonds [has been/will be] made, under the Regulated Covered Bonds Regulations 2008 (SI 2008/346).

PART A – CONTRACTUAL TERMS

[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 [●] [and the supplement[s] dated [●] [and [●]]] which [together] constitute[s] a base prospectus (the **Prospectus**) for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of 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 the Prospectus [and the supplemental Prospectus] [are] published on the website of the London Stock Exchange and are available free of charge to the public at the principal office of the Issuer and from the specified office of each of the Paying Agents copies of such documents may, at the Paying Agent's option be provided electronically. The Prospectus has been published on the Regulatory News Service operated by the London Stock Exchange (www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html) in accordance with Article 14.]

[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 are incorporated by reference in the prospectus dated [●] [and the supplemental Prospectus(es) dated [●] and [●]] which [together] constitute(s) a base prospectus (the **Prospectus**) for the purposes of Regulation (EU) 2017/1129) as it forms part of domestic law by virtue of 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. Full information on the Issuer and the LLP and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Prospectus. Copies of such Prospectuses and the supplemental Prospectus are available free of charge to the public at the principal office of the Issuer and from the specified office of each of the Paying Agents copies of such documents may, at the Paying Agent's option be provided electronically. The Prospectus has been published on the Regulatory News Service operated by the

London Stock Exchange (www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html) in accordance with Article 14.]

[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) of the Investment Company Act of 1940, as amended. See "Certain U.S. Regulatory Considerations".]

1.	(i)	Issuer:	Leeds Building Society
	(ii)	Guarantor:	Leeds Building Society Covered Bonds Limited Liability Partnership
2.	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]
	(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 Date:	[●]/[Issue Date]/[Not Applicable]

9.	(i)	Final Maturity Date:	[●]/[Interest Payment Date falling in or nearest to [●]]
	(ii)	Extended Due for Payment Date of the Guaranteed Amounts corresponding to 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] [[Compounded Daily SONIA]/[EURIBOR]] +/- [●] per cent. Floating Rate] [Zero Coupon]
11.	Redemption/Payment Basis:		[100] per cent of the nominal value
12.	Change of Interest Basis or Redemption/Payment Basis:		[●]/[in accordance with paragraphs 18 and 19 below]
13.	Call/Put Options:		[Issuer Call][and][Investor Put]/[Not Applicable]
14.	[Date [Board] approval for issuance of Covered Bonds and Guarantee obtained:		[●] [and [●], respectively]]

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 [annually/semi-annually/quarterly] in arrear]
	(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):	[New York], [●]
	(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)/ISDA))]
	(ix)	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 after the Extension Determination Date, the Specified Interest Payment Date shall be monthly)
	(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):	[New York], [●]/[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]/[[●] month [EURIBOR] Relevant financial centre: [London/Brussels]
		– Interest Determination Date(s):	[[●][TARGET2/[●]] Business Days [in [●]] prior to the [●] day in each Interest Accrual Period/each Interest Payment Date][[●] London Business Days prior to the end of each Interest Period] [●]
		– Relevant Screen Page:	[[●]/[Not Applicable]
		– Relevant Time:	[●]
		– p:	[five (5)/[●] London Business Days][Not Applicable]
		– Observation Method:	[Lag][Lock-Out][Shift]

		– Index Determination:	[Applicable]/[Not Applicable] [*Where Index Determination is applicable, "Shift" should be specified as the Observation Method*]
	(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/Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360/360/360/Bond Basis 30E/360/Eurobond Basis
17.	Zero Coupon Covered Bond Provisions:		[Applicable/Not Applicable]
	(i)	Accrual Yield:	[●] per cent. per annum
		Reference Price:	[●]
	(ii)	Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(iii)	Business Day(s):	[●]
		Additional Business Centre(s):	[New York], [●]
	(iv)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Condition 6(f) applies]

PROVISIONS RELATING TO REDEMPTION BY THE ISSUER

18.	Issuer Call:		[Applicable/Not Applicable]
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount:	[[●] per Calculation Amount]
	(iii)	If redeemable in part:	

	(a)	Minimum Redemption Amount:	[●]
	(b)	Higher Redemption Amount:	[●]
19.	Investor Put:		[Applicable/Not Applicable]
	(a)	Optional Redemption Date(s):	[●]
	(b)	Optional Redemption Amount:	[●] per Calculation Amount
20.	Final Redemption Amount:		[Nominal Amount/[●] per Calculation Amount]
21.	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

22.	New Global Covered Bond:	[Yes][No]
23.	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/ on not less than 60 days' notice] [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 only after an Exchange Event[/on not less than 60 days' notice]]
		[Registered Covered Bonds:
24.		Regulation S Global Covered Bond (U.S.$[●] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]/Rule 144A Global Covered Bond (U.S.$[●] nominal amount) registered in the name of a nominee for [DTC/ a common depositary for Euroclear and

		Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]. (In the case of an issue with more than one Global Covered Bond, specify the nominal amounts of each Global Covered Bond if such information is available.)]
25.	Additional Financial Centre(s):	[●]/[Not Applicable]
26.	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 coupon payments are still to be made/No.]
27.	Redenomination:	[Not applicable/ The provisions in Condition 5(h) apply]

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i)	Listing and Admission to Trading:	[Application [is expected to be/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 [●].]
(ii)	Estimate of total expenses related to admission to trading:	[●]

2. RATINGS

Ratings:	The Covered Bonds to be issued [have been/expected to be] rated: Moody's: [●] Fitch: [●] *(Include a brief explanation of the meaning of the ratings if this has previously been published by the relevant Rating Agency)*

3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]]

[Save as discussed in "*Subscription and Sale and Transfer and Selling Restrictions*", so far as the Issuer and the LLP are aware, no person involved in the issue of the Covered Bonds has an interest material to the offer. The [Managers/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 it or their affiliates in the ordinary course of business.]

4. 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.*)

5. OPERATIONAL INFORMATION

(i)	ISIN:	[●]

(ii)	Common Code:	[●]
(iii)	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]
(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)	CUSIP code	[Not Applicable/give name(s) and number(s)]
(vi)	CINS code or other relevant code	[Not Applicable/give name(s) and number(s)]
(vii)	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, SA and the relevant identification number(s):	[●]/[Not Applicable]
(viii)	Names and addresses of Dealer(s) and/or Stabilising Manager(s) (if any):	[●]
(ix)	Names and addresses of additional Paying Agent(s) (if any):	[●]
(x)	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 notes]* and does not necessarily mean that the Covered Bonds will be recognized 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 notes]*. 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.]]

6. DISTRIBUTION

(i)	Method of Distribution:	[Syndicated/Non-syndicated]
(ii)	If syndicated:	
	(a) Names of Dealers:	[●]
	(b) Stabilising Manager(s) (if any):	[Not Applicable/[●]]
(iii)	Date of [Subscription] Agreement:	[●]
(iv)	If non-syndicated, name of Dealer:	[●]
(v)	U.S. Selling Restrictions	[Reg144A /Regulation S Compliance Category [1/2/3]; TEFRA D/TEFRA C/TEFRA Not Applicable]]
(vi)	Prohibition of Sales to EEA Retail Investors	[Applicable/Not Applicable] *(If the Covered Bonds clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Covered Bonds may constitute "packaged" products, "Applicable" should be specified.)*
(vii)	Prohibition of Sales to UK Retail Investors	[Applicable/Not Applicable] *(If the Covered Bonds clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Covered Bonds may constitute "packaged" products, "Applicable" should be specified.)*

7. YIELD

(Fixed Rate Covered Bonds only)

	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.
8.	**RELEVANT BENCHMARKS**	[[*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 FCA pursuant to Article 36 (Register of administrators and benchmarks) 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].

Signed on behalf of the Issuer:	Signed on behalf of the LLP:
By:	By:
Duly authorised	Duly authorised

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.

This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by Leeds Building Society (the **Issuer**) constituted by a trust deed (such trust deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 2 October 2008 (the **Programme Date**) and as supplemented and amended on 2 October 2009, 5 October 2010, 15 December 2011, 27 December 2012, 9 December 2013, 27 November 2015, 30 January 2017, 6 December 2018, 15 December 2020 and 14 December 2021 between the Issuer, Leeds Building Society Covered Bonds Limited Liability Partnership as guarantor (the **LLP**) and Deutsche Trustee Company 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).

Save as provided for in Conditions 9 and 14, 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).

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 from time to time, the **Agency Agreement**) dated the Programme Date as amended and restated on 5 October 2010, 27 December 2012, 9 December 2013, 6 December 2018, 15 December 2020 and 14 December 2021 made between the Issuer, the LLP, the Bond Trustee, the Security Trustee and Deutsche Bank AG, London Branch, as issuing and principal paying agent (in such capacity, the **Principal Paying Agent**, which expression shall include any successor principal paying agent in relation to all or any Series of the Covered Bonds) and as agent bank (in such capacity, the **Agent Bank**, which expression shall include any successor agent bank), 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), Deutsche Bank Trust Company Americas, as exchange agent (in such capacity, the **Exchange Agent**, which expression shall include any additional or successor exchange agent), 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 any transfer agents named therein, the **Transfer Agents**, which expression shall include any additional or successor transfer agents). As used herein, **Agents** shall mean the Paying Agents, the Agent Bank, the Exchange Agent, the Registrar and the Transfer Agents.

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 or Talons attached on issue.

The final terms for this Covered Bond (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Covered Bond which supplements 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.

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.

As used herein, **Tranche** means Covered Bonds which are identical in all respects (including as to listing) 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) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The LLP has, in the Trust Deed, irrevocably and unconditionally guaranteed the due and punctual payment of Guaranteed Amounts in respect of the Covered Bonds 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 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 service of an LLP Acceleration Notice on the LLP.

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 from time to time, the **Deed of Charge**) dated the Programme Date, as supplemented on 2 October 2009, and made between the LLP, the Bond Trustee, the Security Trustee and certain other Secured Creditors.

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 Agency Agreement, the Master Definitions and Construction Agreement (as defined below) and each of the other Transaction Documents are available for inspection (i) by appointment during normal business hours and upon reasonable notice at the registered office for the time being of the Bond Trustee being at the Programme Date at Winchester House, 1 Great Winchester Street, London EC2N 2DB and at the specified office of each of the Paying Agents or (ii) at the Bond Trustee's, or at the relevant Paying Agent's option, such inspection can be provided electronically. Copies of the applicable Final Terms for all Covered Bonds of each Series are obtainable by appointment during normal business hours at the specified office of each of the Paying Agents or at the relevant Paying Agent's option, such inspection can be provided electronically 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

Agency Agreement, the Master Definitions and Construction 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.

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 agreement made between the parties to the Transaction Documents on or about the Programme Date as amended and restated on 2 October 2009, 5 October 2010, 15 December 2011, 27 December 2012, 9 December 2013, 12 December 2019, 16 November 2020, 15 December 2020 and 14 December 2021 (as the same may be amended and/or restated and/or supplemented and/or varied from time to time, the **Master Definitions and Construction Agreement**), a copy of each of which may be obtained as described above.

1. Form, Denomination and Title

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*.

This Covered Bond may be a Fixed Rate Covered Bond, a Floating Rate Covered Bond, a Zero Coupon Covered Bond or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms, and subject to confirmation from the Rating Agencies prior to the issuance of any such Covered Bond that the then current ratings of any outstanding Series of Covered Bonds will not be adversely affected by the issuance of this Covered Bond.

This Covered Bond may be denominated in any currency.

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.

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.

For so long as any of the Covered Bonds is represented by a Global Covered Bond deposited with a common depositary (in the case of a CGCB) (as defined below) or common safekeeper (in the case of a NGCB (as defined below)) for Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) or so long as a common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream Luxembourg or 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 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 CreationOnline 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 Bearer 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.

2. 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 2(e), 2(f) and 2(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, the Transfer Agent 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 6, 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 any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of 2(a) above, such transferee may take delivery through a Legended Covered Bond in global or definitive form and, in the case of 2(b) above, such transferee may take delivery only through a Legended Covered Bond in 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 Legended Covered Bonds***

Transfers of Legended 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 Legended 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 any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Upon the transfer, exchange or replacement of Legended Covered Bonds, or upon specific request for removal of the Legend therein, the Registrar shall deliver only Legended 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 Covered Bonds in definitive form, may exchange such Covered Bonds for interests in a Registered Global Covered Bond of the same type at any time.

(h) ***Definitions***

In the 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 has the meaning given to it in Regulation S under the Securities Act;

Legended Covered Bonds means Registered Covered Bonds (whether in definitive form or represented by a Registered Global Covered Bond) sold in private transactions to QIBs in accordance with the requirements of Rule 144A;

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;

NSS means the safekeeping structure for registered covered bonds set out in the press release of the ECB dated 22 October 2008 and titled "Evolution of the custody arrangements for international debt services and their eligibility in Euro system credit operations";

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 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.

3. Status of the Covered Bonds and the Covered Bond Guarantee

(a) *Status of the Covered Bonds*

The Covered Bonds and any relative Coupons constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and (subject to any applicable statutory provisions) *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer.

(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 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, 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 following an Issuer Event of Default, service of an Issuer Acceleration Notice and service of a Notice to Pay or an LLP Event of Default and service of an LLP Acceleration Notice are direct unconditional and unsubordinated obligations of the LLP, which are secured and limited in recourse against the LLP 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 9) 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.

4. 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. If a Notice to Pay is served on the LLP, the LLP shall pay Guaranteed Amounts in equivalent amounts to those described above under the Covered Bond Guarantee in respect of the Covered Bonds on the Original Due for Payment Dates or, if applicable, the Extended Due for Payment 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 the 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 in definitive form 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 4(a):

(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 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 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 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) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first 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 an Issuer Event of Default, service of an Issuer Acceleration Notice and service 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:

(1) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(2) 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:

(1) in any case where Specified Periods are specified in accordance with Condition 4(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

(2) the **Following Business Day Convention**, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) 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

(4) 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 (TARGET2) System (the **TARGET2 System**) 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 sub-paragraph (A), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent Bank or other person specified in the applicable Final Terms under an interest rate swap transaction if the Agent Bank or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2000 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;

(2) the Designated Maturity is the period specified in the applicable Final Terms; and

(3) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** 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*

Where Screen Rate 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, 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 which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (local time in the relevant financial centre of the payment) on the Interest Determination Date in question plus or minus the Margin (if any), all as determined by the Agent Bank. 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 Agent Bank for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest pursuant to this sub-paragraph (B) in the event that the Relevant Screen Page is not available or if, in the case of

(1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

Unless otherwise stated in the Final Terms the Minimum Rate of Interest shall be deemed to be zero.

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 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 fourth decimal place, with 0.00005% 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 fourth decimal place, with 0.00005% being rounded upwards):

$$\left(\frac{Index_{END}}{Index_{START}}-1\right)\times\frac{365}{d}$$

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 either or both of $Index_{END}$ and $Index_{START}$ 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_0 is (i) where "Lag" or "Lock-Out" is specified in the relevant Final Terms as the Observation Method, the number of London Business 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 Business Days in the relevant Observation Period;

i is a series of whole numbers from one to d_o, each representing the relevant London Business Day in chronological order from, and including, the first London Business 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;

$Index_{END}$ means, in relation to any Interest Accrual Period, the Index Value on the day which is "p" London Business Days prior to the Interest Payment Date for such Interest Accrual Period;

$Index_{START}$ means, in relation to any Interest Accrual Period, the Index Value on the day which is "p" London Business Day prior to the first day of such Interest Accrual Period (and in respect of the first Interest Accrual 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 Business Day, the value of the SONIA Compounded Index as published by authorised redistributors on the Relevant Screen Page on the immediately following London Business 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 Business Day;

LBD means a London Business Day;

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 Business Day means the number of calendar days from (and including) such London Business Day up to (but excluding) the following London Business Day;

Observation Period means the period from (and including) the date falling "p" London Business Days prior to the first day of the relevant Interest Accrual Period (and the first Interest Period shall begin on and include the Interest Commencement Date) to (but excluding) the date falling "p" London Business Days prior to the Interest Payment Date for such Interest Accrual Period;

p has the meaning given to it in the Final Terms;

Reference Day means each London Business 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 Business 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 Business 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 Business 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 Business Days prior to the final day of the relevant Interest Accrual Period);

$SONIA_{i\text{-}pLBD}$ means where "Lag" is specified in the relevant Final Terms as the Observation Method, in respect of any London Business Day falling in the relevant Interest Accrual Period the SONIA reference rate for the London Business Day falling "p" London Business Days prior to the relevant London Business 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 Business Day, is a reference rate equal to the daily Sterling Overnight Index Average (**SONIA**) rate for such London Business Day 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 Business Day immediately following such London Business Day).

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, in respect of any London Business Day in the relevant Observation Period, the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) determines that the SONIA reference rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA reference rate shall be: (i) the Bank of England's Bank Rate (the **Bank Rate**) prevailing at close of business on the relevant London Business Day; plus (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five 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) to the Bank Rate.

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 calculation of the Rate of Interest, as specified in the applicable 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.

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms), the Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period) or (ii) 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 Interest Period had the Covered Bonds been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Period).

If the relevant Series of Covered Bonds become due and payable in accordance with Condition 9 (*Events of Default and Enforcement*), the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Final Terms, be deemed to be the date on which such Covered Bonds became due and payable and the Rate of Interest on such Covered Bonds shall, for so long as any such Covered Bond remains outstanding, be that determined on such date.

Unless otherwise stated in the Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(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 this Condition 4 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 this Condition 4 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 Agent Bank, 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 Agent Bank 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, by applying the Rate of Interest to:

(A) in the case of Floating Rate Covered Bonds which are represented by a Global Covered Bond, the aggregate outstanding nominal amount of the Covered Bonds represented by such Global Covered Bond; or

(B) in the case of Floating Rate Covered Bonds in definitive form, the Calculation Amount,

and, in each case 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 (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) 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:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" 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 D_1 is greater than 29, in which case D_2 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:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" 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 D_1 is greater than 29, in which case D_2 will be 30.

(v) *Notification of Rate of Interest and Interest Amounts*

The Agent Bank (in the case of Floating Rate Covered Bonds) 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 13 as soon as possible after their determination but in no event later than the fourth Business Day (as defined in Condition 4(b)(i)) thereafter by the Agent Bank. 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 13.

(vi) *Determination or Calculation by Bond Trustee*

If for any reason at any relevant time after the Issue Date, the Agent Bank defaults in its obligation to determine the Rate of Interest or to calculate any Interest Amount in accordance with sub-paragraph (A) (*ISDA Determination for Floating Rate Covered Bonds*) or (B) (*Screen Rate Determination for Floating Rate Covered Bonds*) or as otherwise specified in the applicable Final Terms, as the case may be, and in each case in accordance with paragraph (iv) above, the Bond Trustee (or an agent appointed by it) shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Bond Trustee shall calculate (or appoint an agent to calculate) the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent Bank.

(vii) *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 4(b), whether by the Agent Bank or the Bond Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the LLP, the Agent Bank, 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 Agent Bank 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) ***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.

5. 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 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; 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 5, 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 the place of payment but without prejudice to the provisions of Condition 7 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, as amended (the **Code**) or otherwise imposed pursuant to Sections 1471 to 1474 (inclusive) of the Code, any regulations or agreements thereunder, official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto. References to Specified Currency will include any successor currency under applicable law.

(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 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 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, 5 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 by the 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 and Talons (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 (other than instalments of principal prior to the final instalment) 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**) (i) in respect of a Registered Global Covered Bond, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) in respect of a Registered Definitive Covered Bond, 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.$250,000 (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 and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) 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 (i) in respect of a Registered Global Covered Bond, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) in respect of a Registered Definitive Covered Bond, at the close of business on the fifteenth day (whether or not such fifteenth day is a 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) and instalments of principal (other than the final instalment) 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 and the final instalment of principal 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 of the Exchange Agent 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 8) 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) in the case of Covered Bonds in definitive form only, the relevant place of presentation; and

(B) 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 or (2) in relation to any sum payable in euro, a day on which the TARGET2 System 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 7 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 Covered Bonds redeemable in instalments, the Instalment Amounts;

(vi) in relation to Zero Coupon Covered Bonds, the Amortised Face Amount (as defined in Condition 6(f));

(vii) any premium and any other amounts (other than interest) which may be payable under or in respect of the Covered Bonds; and

(viii) any Excess Proceeds which may be payable by the Bond Trustee to the LLP 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 7 or under any undertakings given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

(h) ***Redenomination***

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Covered Bondholders and the Couponholders, on giving prior written notice to the Bond Trustee, the Security Trustee, the Agents, the Registrar (in the case of Registered Covered Bonds), Euroclear, Clearstream, Luxembourg and DTC and at least 30 days' prior notice to the Covered Bondholders in accordance with Condition 13, elect that, with effect from the Redenomination Date specified in the notice, the Covered Bonds shall be redenominated in euro. In relation to any Covered Bonds where the applicable Final Terms provides for a minimum Specified Denomination in the Specified Currency which is equivalent to at least euro 100,000 and which are admitted to trading on a regulated market in the European Economic Area, it shall be a term of any such redenomination that the holder of any Covered Bonds held through Euroclear and/or Clearstream, Luxembourg and/or DTC must have credited to its securities account with the relevant clearing system a minimum balance of Covered Bonds of at least euro 100,000.

The election will have effect as follows:

(i) the Covered Bonds shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a nominal amount for each Covered Bond equal to the nominal amount of that Covered Bond in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, in consultation with the Agents and the Bond Trustee, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Covered Bondholders, the competent listing authority, stock exchange and/or market (if any) on or by which the Covered Bonds may be listed and/or admitted to trading and the Paying Agents of such deemed amendments;

(ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Covered Bonds will be calculated by reference to the aggregate nominal amount of Covered Bonds presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;

(iii) if definitive Covered Bonds are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of euro 100,000 and/or such higher amounts as the Agents may determine and notify to the Covered Bondholders and any remaining amounts less than euro 100,000 shall be redeemed by the Issuer and paid to the Covered Bondholders in euro in accordance with Condition 6;

(iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Covered Bonds) will become void with effect from the date on which the Issuer gives notice (the **Exchange Notice**) that replacement euro-denominated Covered Bonds and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Covered Bonds and Coupons so issued will also become void on that date although those Covered Bonds and Coupons will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Covered Bonds and Coupons will be issued in exchange for Covered Bonds and Coupons denominated in the Specified Currency in such manner as the Agents may specify and as shall be notified to the Covered Bondholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Covered Bonds;

(v) after the Redenomination Date, all payments in respect of the Covered Bonds and the Coupons, other than payments of interest and/or principal in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Covered Bonds to the Specified Currency were to euro. Payments will be made in euro by credit or 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;

(vi) if the Covered Bonds are Fixed Rate Covered Bonds and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated

(a) in the case of Covered Bonds represented by a Global Covered Bond, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Covered Bonds represented by such Global Covered Bonds; and

(b) in the case of definitive Covered Bonds, by applying the Rate of Interest to the Calculation Amount;

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. Where the Specified Denomination of a Fixed Rate Covered Bond in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Covered Bond shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding;

(vii) if the Covered Bonds are Floating Rate Covered Bonds, the applicable Final Terms will specify any relevant changes to the provisions relating to interest; and

(viii) such other changes shall be made to this Condition (and the Transaction Documents) as the Issuer may decide, after consultation with the Agents and the Bond Trustee, and as may be specified in the notice, to conform it to conventions then applicable to instruments denominated in euro.

(i) ***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.

Redenomination Date means (in the case of interest bearing Covered Bonds) any date for payment of interest under the Covered Bonds or (in the case of Zero Coupon Covered Bonds) any date, in each case specified by the Issuer in the notice given to the Covered Bondholders pursuant to Condition 5(h)(i) and which falls on or after the date on which the country of the relevant Specified Currency first participates in the third stage of European economic and monetary union.

Reference Rate means the relevant EURIBOR, SONIA rate specified in the applicable Final Terms.

Treaty means the Treaty on the Functioning of the European Union, as amended.

6. 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 9, if an Extended Due for Payment Date is specified as applicable in the Final Terms for a Series of Covered Bonds and 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 9(a)(i)) and 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 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 date falling on the earlier of (a) the date which falls two Business Days after service of such Notice to Pay on the LLP or if later the Final Maturity Date (in each case, after the expiry of the grace period set out in Condition 9(a)(i)) or (b) 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 the earlier of (a) and (b) above 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 confirm to the Principal Paying Agent as soon as reasonably practicable and in any event at least 4 Business Days prior to the Final Maturity Date of a Series of Covered Bonds whether (a) payment will be made in full of the Final Redemption Amount in respect of a Series of Covered Bonds on that Final Maturity Date or (b) payment will not be made in full of the Final Redemption Amount in respect of a Series of Covered Bonds on that Final Maturity Date.

Any failure by the Issuer to notify the Principal Paying Agent shall not affect the validity or effectiveness of the extension.

The LLP shall notify the relevant Covered Bondholders (in accordance with Condition 13), the Rating Agencies, 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 earlier of the dates specified in (a) and (b) of the preceding paragraph 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 (in each case, after the expiry of the grace period set out in Condition 9(b)(i)) and (b) the Extension Determination Date, 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 or to the order of 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 6(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 earlier of (a) the date which falls two Business Days after service of such Notice to Pay on the LLP or if later the Final Maturity Date (in each case, after the expiry of the grace period set out in Condition 9(a)(i)) or (b) the Extension Determination Date; and

Extension Determination Date means, in respect of a Series of Covered Bonds, the date falling two Business Days after the expiry of seven days from (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 Transaction Account or, as applicable, the Stand-by Transaction Accounts (to the extent maintained), the GIC Account or, as applicable, the Stand-by GIC Account (to the extent maintained), and the LBS Reserve Fund Account to be paid on each LLP Payment Date in accordance with the Trust Deed.

Rating Agency means any one of Moody's Investors Service Limited and Fitch Ratings Ltd. (together, the **Rating Agencies**) or their successors, to the extent they provide ratings in respect of the Covered Bonds. Each Rating Agency is established in the UK and is registered under the UK CRA Regulation.

(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 this Covered Bond is not a Floating Rate Covered Bond) or on any Interest Payment Date (if this Covered Bond is a Floating Rate Covered Bond), on giving not less than 30 nor more than 60 days' notice to the Bond Trustee and, in accordance with Condition 13, the Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Bond Trustee immediately before the giving of such notice that on the occasion of the next date for payment of interest, the Issuer is or will be required to pay additional amounts as provided in Condition 7. Covered Bonds redeemed pursuant to this Condition 6(b) will be redeemed at their Early Redemption Amount referred to in Condition 6(f) 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 an 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 13, 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, such redemption must be for an amount being the Minimum Redemption Amount or a Higher Redemption Amount. In the case of a partial redemption of Covered Bonds, the Covered Bonds to be redeemed (the

Redeemed Covered Bonds) will be selected individually by lot, in the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, and 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 60 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 13 not less than 30 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 then 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 6(c) and notice to that effect shall be given by the Issuer to the Covered Bondholders in accordance with Condition 13 at least 30 days prior to the Selection Date.

(d) ***Redemption at the option of the Covered Bondholders (Investor Put)***

If an investor put is specified as being applicable in the Final Terms (the **Investor Put**), then if and to the extent specified in the applicable Final Terms, upon the holder of a relevant Covered Bond giving to the Issuer, in accordance with Condition 13, not less than 30 nor more than 60 days' notice (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, provided that the Cash Manager has notified the Bond Trustee in writing that there will be sufficient funds available to pay any termination payment due to the relevant Covered Bond Swap Provider(s), redeem subject to, and in accordance with, the terms specified in the applicable Final Terms in whole (but not in part) such Covered Bond on the Optional Redemption Date and at the relevant Optional Redemption Amount as 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.

If the relevant Covered Bond is in definitive form, to exercise the right to require redemption of this Covered Bond, the holder of this Covered Bond must deliver such Covered Bond, on any Business Day (as defined in Condition 4(b)) falling within the above-mentioned notice period at the specified office of any Paying Agent during normal business hours accompanied by a duly signed and completed notice of exercise of the Investor Put in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition 6(d).

(e) ***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 30 nor more than 60 days' notice to the Bond Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 13, all the Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Bond Trustee 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 6(e) will be redeemed at their Early Redemption Amount referred to in Condition 6(f) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(f) ***Early Redemption Amounts***

For the purpose of Conditions 6(b) and 6(e) above and 6(i) below and Condition 9, 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.

(g) ***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 and Talons 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).

(h) ***Cancellation***

All Covered Bonds which are redeemed will forthwith be cancelled (together with, in the case of Bearer Definitive Covered Bonds, all unmatured Coupons and Talons 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 6(g) above and cancelled (together with, in the case of Bearer Definitive Covered Bonds, all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be held, reissued or resold.

(i) ***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 6(a), (b), (c), (d) or (e) above or upon its becoming due and repayable as provided in Condition 9 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 6(f)(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 13 or individually.

(j) ***Certification on redemption under Conditions 6(b),6(c), 6(d) and 6(e)***

Prior to the publication of any notice of redemption pursuant to Conditions 6(b), 6(c), 6(d) and 6(e), the Issuer shall deliver to the Bond Trustee a certificate signed by two Authorised Signatories (as defined in the Master Definitions and Construction Agreement) 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.

7. Taxation

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 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 the event of a withholding or deduction being made by the Issuer in respect of a payment made by it, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Covered Bondholders or Couponholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Covered Bonds or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Covered Bond or Coupon presented for payment:

(a) in the United Kingdom; or

(b) by or on behalf of a holder who (i) is able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of non-residence or other claim for exemption to the relevant taxing authority but fails to do so; or (ii) is liable for such taxes, duties, assessments or governmental charges in respect of such Covered Bonds or Coupons (as the case may be) by reason of his having some connection with the United Kingdom other than merely by reason of the holding of such Covered Bonds or Coupons; or

(c) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on the last day of such period of 30 days; or

(d) where the holder is able to avoid such withholding or deduction by presenting an appropriate certificate.

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 13.

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.

8. Prescription

The Covered Bonds (whether in bearer or registered form) and Coupons will become void unless presented for payment within 10 years (in the case of principal) and 5 years (in the case of interest) in each case from the Relevant Date (as defined in Condition 7) therefor, subject in each case to the provisions of Condition 5.

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 5 or any Talon which would be void pursuant to Condition 5.

9. Events of Default and Enforcement

(a) *Issuer Events of Default*

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. 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 9(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 if so directed by an Extraordinary Resolution of all the holders of the Covered Bonds then Outstanding shall, (but in the case of the happening of any of the events mentioned in sub-paragraph (ii) below, only if the

Bond Trustee shall have concluded in its absolute discretion in writing to the Issuer and the LLP 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 of the Issuer to provide notices, reports or other information to the relevant UK regulatory authority under the RCB Regulations and/or the RCB Sourcebook shall not, in itself, 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), give notice (an **Issuer Acceleration Notice**) in writing to the Issuer 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:

(i) the Issuer fails to pay any principal or interest in respect of the Covered Bonds or any of them and the default continues for a period of 14 days or more (in the case of interest) or 7 days or more (in the case of principal) following the due date; or

(ii) if the Issuer fails to perform or observe any obligations under the Covered Bonds or Coupons of any Series, the Trust Deed or any other Transaction Document to which the Issuer is a party (other than the Programme Agreement and the Subscription Agreement) 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 such failure continues for the period of 30 days next following the service by the Bond Trustee on the Issuer of notice requiring the same to be remedied (except in circumstances where the Bond Trustee considers such failure to be incapable of remedy, in which case no period of continuation will apply and no notice by the Bond Trustee will be required); or

(iii) if an administrator or other similar official is appointed in relation to the Issuer or any Material Subsidiary or in relation to the whole or, in the opinion of the Bond Trustee, a material part of the assets of any of them or if an encumbrancer takes possession of, or an administrative or other receiver is appointed in relation to, the whole or, in the opinion of the Bond Trustee, any material part of the assets of the Issuer or a Material Subsidiary or a distress, diligence or execution is levied or enforced upon or sued out against the whole or, in the opinion of the Bond Trustee, any material part of the assets of the Issuer or a Material Subsidiary and, in any such case, is not discharged within 60 days; or

(iv) if the Issuer ceases to carry on its business or substantially the whole of its business (except in any case in connection with a substitution pursuant to Condition 14 and Clause 22 of the Trust Deed), or for the purpose of or in connection with a reconstruction, union, transfer (of engagements or business), reorganisation, merger or amalgamation the terms of which have previously been approved in writing by the Bond Trustee or by an Extraordinary Resolution); or

(v) (a) any payment aggregating an amount of at least £10,000,000 (or its equivalent in any other currency or currencies) in respect of the principal of or any premium of or interest on any Indebtedness for Monies Borrowed of the Issuer or any Material Subsidiary is not made on its due date (or by the expiry of any applicable grace period therefor); or

(b) any Indebtedness for Monies Borrowed of the Issuer or any Material Subsidiary having an outstanding aggregate principal amount of at least

£10,000,000 (or its equivalent in any other currency or currencies) becomes due and payable prior to its stated maturity by reason of default; or

(c) if any guarantee of or indemnity in respect of any payment aggregating an amount of at least £10,000,000 (or its equivalent in any other currency or currencies) in respect of any Indebtedness for Monies Borrowed of any third party given by the Issuer or any Material Subsidiary is not honoured when due and called upon (or by the expiry of any applicable grace period therefor); or

(vi) if, except for the purposes of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Bond Trustee or by an Extraordinary Resolution of the Covered Bondholders or for the purposes of a solvent winding-up where the assets of a Material Subsidiary attributable directly or indirectly to the Issuer are distributed to any one or more of the Issuer and the other Subsidiaries which are, or would as a result become, Material Subsidiaries:

(a) a Material Subsidiary stops payment to its creditors generally or ceases to carry on the whole or, in the opinion of the Bond Trustee, substantially the whole of its business; or

(b) an order is made by any competent court or resolution is passed for the winding-up or dissolution of any Material Subsidiary; or

(vii) 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.

Indebtedness for Monies Borrowed means any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of (1) money borrowed, (2) liabilities under or in respect of any acceptance or acceptance credit or (3) any notes, bonds, debentures, debenture stock, loan stock or other securities offered, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash.

Material Subsidiary shall mean any Subsidiary of the Issuer whose total assets (attributable to the Issuer) are equal to 10 per cent. or more of the consolidated total assets of the Issuer and its Subsidiaries.

A certificate signed by two Authorised Signatories (as defined in the Master Definitions and Construction Agreement) of the Issuer that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary may be relied upon by the Bond Trustee without further enquiry or evidence and, if so relied upon shall, in the absence of manifest error be conclusive and binding on all parties.

Upon the Covered Bonds becoming immediately due and repayable against the Issuer pursuant to this Condition 9(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 9(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 and payments to the LLP of such 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 at its discretion may, and if so requested in writing by the holders of at least 25 per cent. 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 9(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 if so directed by an Extraordinary Resolution of all the holders of the Covered Bonds then outstanding shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), but in the case of the happening of any of the events described in paragraph (ii) below, only if the Bond Trustee shall have 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 of any Series, 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 and any other amount due and payable under the Covered Bonds (other than additional amounts payable under Condition 7), 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:

(i) 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 6(a), where the LLP shall be required to make payments of Guaranteed Amounts which are Due for Payment on the dates specified therein); or

(ii) if 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; or

(iii) an order is made or an effective resolution passed for the liquidation or winding-up of the LLP; or

(iv) if the LLP ceases or threatens to cease to carry on its business or substantially the whole of its business except for the purpose of or in connection with a reconstruction, union, transfer (of engagements or business), reorganisation, merger or amalgamation the terms of which have previously been approved in writing by the Bond Trustee or by an Extraordinary Resolution; or

(v) 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

(vi) 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, and, in any such case, is not discharged within 20 days, 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

(vii) a failure to satisfy the Amortisation Test (as set out in the LLP Deed) on any 12th day of each month (or, if that is not a Business Day, then the immediately preceding Business Day) (the **Calculation Date**) following an Issuer Event of Default; or

(viii) 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 take such proceedings or steps in accordance with the first and third paragraphs, respectively, of Condition 9(c) and the Covered Bondholders (or the Bond Trustee on their behalf) shall have a claim against the LLP, under the Covered Bond Guarantee, for an amount equal to the Early Redemption Amount for each Covered Bond of each Series together with accrued interest and any other amount due and payable under the Covered Bonds (other than additional amounts payable under Condition 7) as provided in the Trust Deed in respect of each Covered Bond.

(c) ***Enforcement***

The Bond Trustee may at any time, at its discretion and without further notice, take such proceedings, steps or action 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 or the Coupons or any other Transaction Document to which it is a party, but it shall not be bound to take any such

proceedings, steps or actions 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 aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (taken together and converted into Sterling at the relevant Covered Bond Swap Rate as aforesaid) 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, steps or action against the Issuer and/or the LLP and/or any other person as it may think fit to enforce the provisions of the Deed of Charge or any other Transaction Document to which it is a party, 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 the Bond Trustee itself acting at its sole discretion or as 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 aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (taken together converted into Sterling at the relevant Covered Bond Swap Rate as aforesaid); 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. In having regard to the interests of the Covered Bondholders, the Security Trustee shall be entitled to rely solely on a written confirmation from the Bond Trustee as to whether, in the opinion of the Bond Trustee, any matter, action or omission is or is not in the interests of, or is or is not prejudicial or materially prejudicial to the interests of, the Covered Bondholders.

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, fails so to do within a reasonable time and such failure shall be continuing and unremedied.

10. Replacement of Covered Bonds, Coupons and Talons

Should any Covered Bond, Coupon or Talon 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 13, 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, Coupons or Talons must be surrendered before replacements will be issued.

11. Principal Paying Agent, Paying Agents, Registrar, Transfer Agent and Exchange Agent

The names of the initial Principal Paying Agent, the other initial Paying Agents, the initial Registrar, the initial Transfer Agent, the initial Exchange Agent and their initial specified offices are set out below.

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, the Agent Bank, the Registrar, any Transfer Agent or the Exchange Agent and/or appoint additional or other Paying Agents or Transfer Agents or the Agent Bank, the Registrar or the Exchange Agent and/or approve any change in the specified office through which any Paying Agent, the Agent Bank, the Registrar, any Transfer Agent or the Exchange Agent acts, provided that:

(a) there will at all times be a Principal Paying Agent, an Agent Bank and a Registrar;

(b) the Issuer will, so long as any of the Covered Bonds is outstanding, maintain a Paying Agent (which may be the Principal Paying Agent) having a specified office in a city approved by the Bond Trustee in continental Europe;

(c) 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) 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; and

(d) so long as any of the Registered Global Bonds payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with an office in New York City.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5(e). Notice of any such variation, termination, appointment or change will be given by the Issuer to the Covered Bondholders as soon as reasonably practicable in accordance with Condition 13.

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.

12. 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 8.

13. 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 the United Kingdom. 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 weekday 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, 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.

14. Meetings of Covered Bondholders, Modification, Waiver and Substitution

(a) Covered Bondholders, Couponholders and other Secured Parties should note that the Issuer, the LLP and the Principal Paying Agent may without their consent or the consent of the Bond Trustee or the Security Trustee agree to modify any provision of any Final Terms which is of a formal, minor or technical nature or is made to correct a proven or manifest error or to comply with any mandatory provisions of law.

(b) **Meetings of Covered Bondholders**

The Trust Deed contains provisions for convening meetings (including by way of conference call, which extends to the 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 or the Issuer 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 9 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 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.

In connection with any meeting of the holders of Covered Bonds of more than one Series where such Covered Bonds are not denominated in Sterling, the nominal amount of the Covered Bonds of any Series not denominated in Sterling shall be converted into Sterling at the relevant Covered Bond Swap Rate.

(c) **Modifications and waivers**

The Bond Trustee, 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), the LLP and the Issuer may also agree, without the consent of the Covered Bondholders or Couponholders of any Series and without the consent of the other Secured Creditors, to:

(i) any modification (other than in relation to a Series Reserved Matters) 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

(ii) any modification of the Covered Bonds of any one or more Series, the related Coupons or any Transaction Document which is, in the opinion of the Bond Trustee, of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law.

Notwithstanding the above provisions of paragraph (c):

(i) 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 proven or manifest error or to comply with any mandatory provisions of law.

(ii) the Issuer and the LLP may request the Bond Trustee and the Security Trustee to agree to modifications to the Transaction Documents and/or the Terms and Conditions of the Covered Bonds to enable the Covered Bonds issued under the Programme to qualify as regulated covered bonds under the RCB Regulations or any replacement or amended regulations. Each of the Bond Trustee and the Security Trustee shall agree to such modifications 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, subject to receipt by the Bond Trustee and the Security Trustee of: a certificate signed by two directors 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 the Covered Bonds to qualify as regulated covered bonds under the RCB Regulations or any replacement of amended regulations and (ii) that the requested amendments are not, in the opinion of the Issuer or the LLP, materially prejudicial to the interests of any Covered Bondholders or any Secured Creditor. Neither the Bond Trustee nor the Security Trustee shall be obliged to agree to any amendment which, in the sole opinion of the Bond Trustee or the Security Trustee, as the case may be, would have the effect of (a) exposing the Bond Trustee 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 (b) increasing the obligations or duties, or decreasing the protections, of the Bond Trustee or the Security Trustee in the Transaction Documents and/or the Terms and Conditions of the Covered Bonds.

(iii) the Bond Trustee shall, without the consent of the holders of any of the Covered Bonds which are issued after 9 December 2013 and which are not consolidated and do not form a single Series with any Covered Bonds issued prior to such date or any other Secured Creditor, (other than any Secured Creditor party to the relevant Transaction Document to be amended) and shall direct the Security Trustee to agree to modifications to satisfy the requirements of EU EMIR and/or UK EMIR, subject to receipt by the Bond Trustee and the Security Trustee of a certificate signed by two Authorised Signatories of the Issuer or by a Designated Member of the LLP (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 to the Conditions applying to Covered Bonds of any one or more Series (including these Conditions) and/or any relevant Transaction Document(s) are to be made solely for the purpose of enabling the Issuer or the LLP to satisfy any requirements which apply to either of them under EU EMIR and/or UK EMIR and on the matters (a) and (b) set out below and the holders of such Covered Bonds and the other Secured Creditors shall be deemed to have instructed the Bond Trustee and the Security Trustee to concur in making any and all such modifications. For the avoidance of doubt, in relation to any Series of Covered Bonds issued prior to 9 December 2013, such modifications must be made pursuant to other provisions of this Condition 14, as applicable. 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 or the Security Trustee, as applicable, would have the effect of:

(A) exposing the Bond Trustee and/or 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/or the Security Trustee, as applicable, in the Transaction Documents and/or the Conditions of the Covered Bonds.

(iv) in relation to any Covered Bonds issued after 6 December 2018, the Bond Trustee and the Security Trustee shall (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) concur in making any amendments to the Conditions and/or any Transaction Document (including, for the avoidance of doubt but without limitation, the 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 Payments is affected) that the Issuer considers necessary for the purpose of changing the base rate in respect of the Covered Bonds from EURIBOR, SONIA or such other benchmark rate (each, a Reference Rate) to an alternative base rate (any such rate, an Alternative Base Rate) and make such other amendments to the Conditions, the Trust Deed and/or any other Transaction Document 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 and the Security Trustee in writing (such certificate, a Base Rate Modification Certificate) that:

(I) 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; or

(2) 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; or

(3) 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; or

(4) a public statement by the supervisor of the administrator of the relevant Reference Rate that means such Reference Rate may no longer be used or that its use is subject to restrictions or adverse consequences; or

(5) it becoming unlawful for any Agent, any Calculation Agent or the Issuer to calculate any payments due to be made to any Covered Bondholder or any party to the Transaction Documents using the Applicable Base Rate; or

(6) the reasonable expectation of the Issuer that any of the events specified in sub-paragraphs (1), (2), (3), (4) or (5) 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; and

(II) 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); or

(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 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; and

(III) the Base Rate Modification proposed is required solely for the purpose of applying the Alternative Base Rate and making consequential modifications to the Conditions, the Trust Deed and/or any Transaction Document which are, as reasonably determined by the Issuer, necessary or advisable, and the modifications have been drafted solely to such effect;

(B) at least 30 days' prior written notice of any proposed Base Rate Modification has been given to the Bond Trustee and the Security Trustee;

(C) the Base Rate Modification Certificate is provided to the Bond Trustee and the Security Trustee both (i) at the time the Bond Trustee and the Security Trustee are notified of the Base Rate Modification and (ii) on the effective date of such Base Rate Modification;

(D) with respect to each Rating Agency, either:

(I) 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

(II) the Issuer certifies in writing 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);

(E) the Issuer pays (or arranges for the payment of) all reasonable and documented fees, costs and expenses (including legal fees) incurred by the Bond Trustee and the Security Trustee in connection with such Base Rate Modification;

(F) the Issuer certifies in writing to the Bond Trustee and the Security Trustee (which certification may be in the Base Rate Modification Certificate) that it 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 13 (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 Covered Bondholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds then outstanding have not contacted the Issuer or the Principal Paying Agent in writing (or otherwise in accordance with the then current practice of any applicable Clearing System through which such Covered Bonds may be held) by the time specified in such notice that such Covered Bondholders do not consent to the Base Rate Modification.

If 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 Issuer or the Principal Paying Agent 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 this Condition 14 (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*).

Objections made in writing other than through the applicable Clearing System must be accompanied by evidence to the Issuer's and the Bond Trustee's satisfaction (having regard to prevailing market practices) of the relevant Covered Bondholder's holding of the relevant Series of Covered Bonds.

(v) When implementing any modification pursuant to paragraph (iv) above:

(A) the Bond Trustee and the Security 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

(B) 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.

For the avoidance of doubt, the Issuer may propose an Alternative Base Rate on more than one occasion provided that the conditions set out in paragraph (iv) above are satisfied.

The powers conferred by this Condition 14(c)(iii) shall not extend to a Series Reserved Matter. Neither the Bond Trustee nor the Security Trustee shall be responsible or liable in damages or otherwise to any party or person for any loss incurred by reason of the Bond Trustee and/or the Security Trustee consenting to or concurring in any amendment, replacement and/or modification in respect of this Condition 14(c)(iii).

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. Save as otherwise expressly provided in the Deed of Charge, the Security Trustee shall agree to the waiver or authorisation of any breach or proposed breach of any of the provisions of any Transaction Document only if so directed by (a) the Bond Trustee, so long as there are any Covered Bonds outstanding or (b) all of the other Secured Creditors, if there are no Covered Bonds outstanding.

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 14, the Issuer must send written confirmation 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 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 consent to such proposed modification, waiver, authorisation or determination.

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 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.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any consent, approval, modification, waiver, authorisation or determination referred to in these Conditions), the Bond Trustee and the Security Trustee 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, 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 7 and/or in any undertaking or covenant given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

In having regard to the interests of the Covered Bondholders, the Security Trustee shall be entitled to rely solely on a written confirmation from the Bond Trustee as to whether, in the opinion of the Bond Trustee, any matter, action or omission is or is not in the interests of or is not prejudicial or materially prejudicial to the interests of, the Covered Bondholders. The Bond Trustee shall have sole responsibility for resolving conflicts of interest as between Covered Bondholders or any Series of them, subject to and in accordance with the provisions of the Trust Deed and the Conditions.

In exercising or performing any of its discretions, rights, powers, trusts or duties under or in relation to these presents or any other Transaction Document (including without limitation, any consent, approval, modification, waiver, authorisation or determination referred to in these Conditions), the Bond Trustee may have regard to any Rating Agency Confirmation whether or not any such confirmation is addressed to, or provides that it may be relied on by, the Bond Trustee and irrespective of the method by which such confirmation is conveyed.

(d) **Substitution**

(i) Subject as provided in the Trust Deed, the Bond Trustee, if it is satisfied that so to do would not be materially prejudicial to the interests of the Covered Bondholders, may agree, without the consent of the Covered Bondholders or Couponholders, to the substitution of any Successor in Business of the Issuer or of a Subsidiary of the Issuer or any such Successor in Business, not being in any such case a building society formed by the amalgamation of the Issuer and one or more other building societies pursuant to Section 93 of the Building Societies Act or a building society to which the Issuer has transferred all of its engagements pursuant to Section 94 of the Building Societies Act or the successor in accordance with Sections 97 to 102 of the Building Societies Act or a subsidiary of a mutual society to which the Issuer has transferred the whole of its business pursuant to Section 97 of the Building Societies Act (as modified by the Mutual Transfers Order) or any other order made in the future by HM Treasury under section 3 of the Funding and Mutual Societies Transfers Act, in place of the Issuer as principal debtor under the Covered Bonds and the Trust Deed, provided (in case of the substitution of any company which is a Subsidiary of the Issuer or such Successor in Business) that the obligations of such Subsidiary in respect of the Covered Bonds and the Trust Deed in respect thereof shall be guaranteed by the Issuer or such Successor in Business in such form as the Bond Trustee may require.

(ii) The Issuer has covenanted with the Bond Trustee in the Trust Deed that it will not transfer its business to a successor in accordance with Section 97 of the Building Societies Act unless either (1) the Bond Trustee receives a certification from the Issuer and the proposed successor that the proposed successor will be or (as the case may be) will remain an authorised person under the FSMA (or any statutory modification or re-enactment thereof) and the Issuer has received Rating Agency Confirmation for such transfer or (2) such transfer is approved by an Extraordinary Resolution of the Covered Bondholders.

(iii) If the Issuer shall amalgamate with one or more other building societies pursuant to Section 93 of the Building Societies Act or transfer all of its engagements to another building society pursuant to Section 94 of the Building Societies Act or transfer the whole of its business to a successor in accordance with Sections 97 to 102 of the Building Societies Act or transfer the whole of its business to a subsidiary of a mutual society pursuant to Section 97 of the Building Societies Act (as modified by the Mutual Transfers Order) or any other order made in the future by HM Treasury under section 3 of the Funding and Mutual Societies Transfers Act, the successor will, pursuant to such provisions and provided that the Issuer has obtained a Rating Agency Confirmation for such amalgamation or transfer, automatically be substituted in place of the Issuer as principal debtor under the Trust Deed without any prior approval thereof being required from the Covered Bondholders, the Couponholders or the Bond Trustee.

(iv) Any substitution pursuant to this Condition 14 shall be binding on the Covered Bondholders and the Couponholders and, unless the Bond Trustee agrees otherwise, shall be notified to the Covered Bondholders as soon as practicable thereafter in accordance with Condition 13.

It shall be a condition of any substitution pursuant to this Condition 14 that:

(i) the Covered Bond Guarantee shall remain in place or be modified to apply *mutatis mutandis* and continue in full force and effect in relation to any Successor in Business or any Subsidiary of the Issuer or any other successor entity which is proposed to be substituted for the Issuer as principal debtor under the Covered Bonds and the Trust Deed; and

(ii) any successor to the Issuer, including any Successor in Business or any Subsidiary of the Issuer or of such Successor in Business, or any other building society, company or other successor entity of the kind referred to in Clause 22.3 of the Trust Deed, is included in the register of issuers pursuant to the RCB Regulations and that all other provisions of the RCB Regulations (including Regulation 20 of the RCB Regulations) are satisfied prior to the substitution of the Issuer.

(e) **Rating Agencies**

If:

(a) a confirmation of rating or other response by a Rating Agency is a condition to any action or step under any Transaction Document; and

(b) a written request for such confirmation or response is delivered to that Rating Agency by any of the LLP, the Issuer, Bond Trustee and/or the Security Trustee, as applicable (each a **Requesting Party**) and the Rating Agency indicates that it does not consider such confirmation or response necessary in the circumstances, the Requesting Party

shall be entitled to assume that the then current ratings of the Covered Bonds on issue will not be downgraded or withdrawn by such Rating Agency as a result of such action or step. However, nothing in this Condition 14 shall in anyway affect the right of a Rating Agency to downgrade or withdraw its then Current Ratings of the Covered Bonds in such a manner as it sees fit.

The Bond Trustee and/or the Security Trustee shall be entitled to treat as conclusive a certificate signed by an Authorised Signatory of the Issuer or a Designated Member of the LLP as to any matter referred to in (b) above, and the Bond Trustee and/or the Security Trustee, shall not be responsible for any loss, liability, costs, damages, expenses or inconvenience that may be caused as a result.

For the purposes of this Condition 14:

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) any building society (not being a building society which is established by the amalgamation of the Society under and in accordance with the terms of Section 93 of the Building Societies Act) which is validly and effectually, in accordance with all enactments, orders and regulations in force from time to time, registered as a successor society to the Issuer and to another building society or other building societies in order to effect the amalgamation of the Issuer with such other society or societies; or

(b) any building society (not being a building society which undertakes under and in accordance with the terms of Section 94 of the Building Societies Act to fulfil the engagements of the Issuer) which validly and effectually, in accordance with all enactments, orders and regulations in force from time to time, undertakes to fulfil the obligations of the Issuer as part of a transfer of engagements by the Issuer to such building society; or

(c) a company or other entity (not being a successor within the meaning of Section 97 of the Building Societies Act or a subsidiary of a mutual society to which the Issuer has transferred the whole of its business pursuant to Section 97 of the Building Societies Act (as modified by the Mutual Transfers Order) or any other order made in the future by HM Treasury under section 3 of the Funding and Mutual Societies Transfers Act) 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

(d) any other entity (not being a successor within the meaning of Section 93 of the Building Societies Act, a society to which the engagements of the Issuer are transferred under

Section 94 of the Building Societies Act or a successor within the meaning of Section 97 of the Building Societies Act or a subsidiary of a mutual society to which the Issuer has transferred the whole of its business pursuant to Section 97 of the Building Societies Act (as modified by the Mutual Transfers Order) or any other order made in the future by HM Treasury under section 3 of the Funding and Mutual Societies Transfers Act) 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) to (d) above, Rating Agency Confirmation has been received in respect of the terms of the proposed transaction; and

Series Reserved Matter in relation to Covered Bonds of a Series means: (i) 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; (ii) alteration of the currency in which payments under the Covered Bonds and Coupons are to be made; (iii) alteration of the majority required to pass an Extraordinary Resolution; (iv) 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); (v) except in accordance with Condition 14, 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 (vi) alteration of the proviso to paragraph 5 or paragraph 6 of Schedule 4 to the Trust Deed.

15. 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 of the Relevant Series 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 or as otherwise required under the Transaction Documents.

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 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 Portfolio, including, without limitation, whether the Portfolio is in compliance with the Asset Coverage Test or the Amortisation Test; or (iv) monitoring whether 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.

Each of the Bond Trustee and the Security Trustee may refrain from taking any action or exercising any right, power, authority or discretion vested in it relating to the transactions contemplated in the Transaction Documents until it has been indemnified and/or secured and/or pre-funded to its satisfaction against any and all actions, charges, claims, costs, damages, demands, expenses, liabilities, losses and proceedings which might be sustained by it as a result and none of them will be required to do anything which may cause it to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights, powers, authorities or discretions if it has reasonable grounds for believing that repayment of such funds or adequate indemnity or security against such risk or liability is not assured to it.

16. 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 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.

17. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Covered Bondholders 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. 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.

19. 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 declaration of trust in relation to the sale of Scottish Loans and their Related Security to the LLP (each a **Scottish Declaration of Trust**) and certain supplemental security documents to be granted pursuant to the Deed of Charge) and any non-contractual obligations arising out of or in connection with them shall be 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. Those aspects of the Transaction Documents specific to Northern Irish Loans will be construed in accordance with by Northern Irish law.

USE OF PROCEEDS

The gross 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) either (i) to acquire Loans and their Related Security or (ii) to invest the same in Substitution Assets up to 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 and thereafter may be applied by the LLP:

(i) to acquire Loans and their Related Security or to invest the same in Substitution Assets up to the prescribed limit;

(ii) if an existing Series, or part of an existing Series, of Covered Bonds is being refinanced by such issue of Covered Bonds, to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced;

(iii) subject to complying with the Asset Coverage Test, to make a Capital Distribution to a Member; and/or

(iv) to deposit all or part of the proceeds into the GIC Account or, as applicable, the Stand-by GIC Account and/or (if so directed by the Issuer) in the LBS Reserve Fund Account (including, without limitation, to fund the Reserve Funds up to an amount not exceeding, as applicable, the Reserve Fund Required Amount or the LBS Reserve Fund Required Amount).

THE ISSUER

LEEDS BUILDING SOCIETY

Introduction

Leeds Building Society (the **Issuer** or the **Society**), formed in 1875, is the fifth largest building society in the UK[5] with assets at 30 June 2022 of £24.1 billion.

The Society generates business from a number of sources including a network of 50 high street branch offices in the UK, a customer telephone service centre, the Leeds Building Society website, postal savings and financial intermediaries.

The Society's network of branches stretches from Aberdeen in the North to Bournemouth in the South and Belfast in the West to Norwich in the East. There are 16 branches in the Society's heartland of Leeds and the rest of Yorkshire.

The Society is committed to remaining an independent mutual building society. It strongly supports the concept of mutuality by seeking to give additional value to borrowers and investors and the communities it serves.

Constitution

The Society was incorporated in England on 21 January 1875 for an indefinite duration with registered number 320B. It is authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority and operates in accordance with the Building Societies Act 1986 (the **Act**), the Financial Services and Markets Act 2000 and the Society's Memorandum and Rules. It is an authorised building society within the meaning of the Act and is registered with the FCA and the Prudential Regulation Authority, registered number 164992.

The affairs of the Society are conducted and managed by a Board of Directors who are appointed by the Society's members and who serve in accordance with the Society's Rules and Memorandum. The Board is responsible to the Society's members for the proper conduct of the affairs of the Society and appoints and supervises the senior executives of the Society who are responsible to the Board for the day-to-day management of the Society.

The Society is a mutual organisation with qualifying retail investors and borrowers having membership rights. Eligibility to vote at General Meetings is governed by the Act and the Society's Rules. No individual member is entitled to more than one vote on any resolution proposed at a General Meeting.

The Society's registered and head office address is 26 Sovereign Street, Leeds, West Yorkshire, LS1 4BJ and the telephone number is 0345 0505075.

Board of Directors

The Directors of Leeds Building Society are listed below along with each Director's current outside directorships:

Directors	Position	Outside Directorship
I C A Cornish	Chairman	MacMillan Cancer Support

[5] Source: www.bsa.org.uk website

G J Hoskin	Vice Chairman	Saga PLC; Acromas Insurance Company Limited
R G Fearon	Chief Executive Officer	
A J Greenwood	Deputy Chief Executive Officer	
A Conroy	Chief Financial Officer	Saltmine Trust; Arkose Funding Ltd; Leeds Mortgage Funding Ltd
N Fuller	Non-Executive Director	
L R McManus	Non-Executive Director	Kane LMMG Ltd; Doggy Day Care Academy Limited; Beatson Cancer Charity
A M Barnes	Non-Executive Director	Globaldata PLC; Quilter Investment Platform Limited; Quilter Life & Pensions Limited
A Tadayon	Non-Executive Director	Tadayon Consulting Limited
D Fisher	Non-Executive Director	Tandem Bank Limited

Documents may be served on the above named directors at: c/o Deloitte LLP (Ref DH), 1 City Square, Leeds LS1 2AL, which is the business address of such directors.

No Director has any actual or potential conflict of interest between his or her duties to the Society and his or her private interests or other duties.

Executive Management

Whilst the Society's Board of Directors is responsible for oversight and determination of strategy and policy, implementation of policy and day-to-day management is delegated to the following executives and senior management:

Executives and Senior Management	**Position**	**Outside Directorship**
R G Fearon*	Chief Executive Officer	
A J Greenwood*	Deputy Chief Executive Officer	
A Conroy*	Chief Financial Officer	Saltmine Trust; Arkose Funding Ltd; Leeds Mortgage Funding Ltd
A R A Moody	Chief Commercial Officer	
K G Bassett	Chief Internal Auditor	
P Kaur	Chief Customer Officer	Innovate Finance
R Howse*	Chief Operating Officer	
N Young	Chief Strategy & Insights Officer	
C Hill	Chief People Officer	
A Mellor	Chief Risk Officer	

*Executive Directors

Documents may be served on the above named executives at: c/o Deloitte LLP (Ref DH), 1 City Square, Leeds LS1 2AL, which is the business address of such executives.

No executive has any actual or potential conflict of interest between his or her duties to the Society and his or her private interests or other duties.

Business

General

The principal business of the Society as stated in Clause 3 of its Memorandum is making loans which are secured on residential property and are funded substantially by its members.

The Society obtains funds from the retail market through a range of personal savings accounts and also raises funds in the wholesale funding markets. It makes loans to borrowers on the security of first charge mortgages on freehold and leasehold property.

Mortgage Lending Activities

The Society operates primarily in the UK mortgage market. The Society offers a range of competitive fixed, capped, discounted, tracker and variable rate products, whilst maintaining an emphasis on high asset quality.

In the first six months of 2022, the Society lent approximately £2.5 billion to customers.

Arrears and Loan Loss Provision

At 30 June 2022, 709 mortgages held by the Society were over 12 months in arrears.

	Group	
	H1 2022	FY 2021
	%	%
Charge to loan loss provisions/average loans	-0.02	0.01
Loan loss reserves/average loans	0.21	0.23

Retail Funding

In the first half of 2022, the Society's savings balances increased to £16,398.7 million.

Wholesale Funding

The Society's strategy is to access wholesale funding markets to supplement retail funding. The following table sets out the level of wholesale funding at 30 June 2022.

	£m	%
Amounts owed to credit institutions	2,310.9	42.4
Amounts owed to other customers	328.6	5.9
Debt securities in issue	2,584.8	46.6
Subordinated Liabilities	322.7	5.8
Total wholesale funding	5,547	100.0

At 30 June 2022 the Society's wholesale deposit funding was 24.2 per cent. of shares and borrowings. At 30 June 2022 total Group shares and borrowings were £21,623.0 million.

Liquidity

During the first half of 2022 the Society's liquid assets increased and represented a ratio of 18.5 per cent. of shares and borrowings.

Capital Resources

Group pre-tax profits were £146.5 million at end of June 2022. At the end of June 2022 and at the end of 2021 the consolidated gross and free capital and solvency ratios of the Society on a standardised basis were as follows:

	Group	
	H1 2022	FY 2021
	%	%
Gross capital ratio as a percentage of shares and borrowings.....	9.66	6.93
Free capital ratio	9.13	6.49
Solvency ratio	39.1	45.1

Operational Efficiency

The management expenses/assets ratio is an appropriate measure of efficiency for a building society. The Group's management expenses/assets ratio remained at 0.56 per cent in first half of 2022. The Group's management expenses/income ratio reduced to 30.1 per cent.

The ratio of management expenses to mean total assets is derived as follows:

	£(m)	(£m)	
Total assets December 2021	22,513.7		
Total assets June 2022	24,066.5		
Mean total assets		23,290.1	
Administrative expenses	59.5		
Depreciation of property, plant and equipment	4.9		
Management expenses		64.4	
Annualised management expenses		128.8	
Ratio of management expenses to mean assets			0.56%

The ratio of management expenses to income is derived as follows:

Total income June 2022		214.3	
Administrative expenses	59.5		
Depreciation of property, plant and equipment	4.9		
Management expenses		64.4	
Ratio of management expenses to total income			30.1%

Non-Interest Income

In the first half of 2022, the Group's revenues from non-interest sources amounted to £2.9million.

Other Financial Information

Financial Measure	H1 2022	2021	2020	2019	Definition	Rationale for inclusion
Net Interest Margin (%)	1.50	1.31	0.99	1.00	This ratio calculates the net interest income as a percentage of mean total assets.	Measure of the interest margin being a key indicator of margin performance.
Cost to Income Ratio (%)	30.1	43.9	51.0	53.5	A ratio that represents management expenses as a percentage of total income.	Measure of the efficiency of the business.

Net Interest margin is derived as follows:

	(£m)	(£m)	
Total Interest Receivable	271.0		
Total Interest Payable	(98.3)		
		172.7	
Net Interest Receivable expressed as a percentage of mean assets:			
Assets c/f	0.72%		
Assets b/f	0.77%		
Mean		0.74%	
Annualised net interest margin			1.48%

Cost / income ratio is derived as follows:

	(£m)	
Management expenses	64.4	
as a percentage of total income:		
Net interest receivable	172.7	
Gains/losses arising on realisation	-	
Gains/losses on fair value volatility	42.0	
Income from investments	-	
Fees and commission receivable	2.9	
Fees and commission payable	(0.3)	
Other operating income	(3.0)	
Total income	214.3	
Cost/income ratio		30.1%

Credit Ratings

Moody's Investors Services Ltd. (**Moody's**) has assigned ratings to the Society of A3/P-2 for bank deposits; with senior unsecured debt rated at A3. The current ratings outlook is stable.

Fitch Ratings Ltd (**Fitch**) has assigned ratings to the Society of A-/F1 for the Long Term/Short Term issuer default rating; with senior unsecured debt rated at A. The current ratings outlook is stable.

Moody's and Fitch are both established in the UK and both entities are registered under the UK CRA Regulation. In general, European and UK regulated investors are restricted from using a rating

for regulatory purposes if such rating is not issued by a credit rating agency established in the EU or the UK and registered under the EU CRA Regulation and the UK CRA Regulation, respectively.

THE LLP

Introduction

The LLP was incorporated in England and Wales on 17 September 2008 as a limited liability partnership (partnership number OC340174) with limited liability under the LLPA 2000 by the Seller, the First Designated Member and the Second Designated Member as its Members. The principal place of business of the LLP is at 26 Sovereign Street, Leeds, West Yorkshire, LS1 4BJ and its telephone number is 011 3225 7593. The LLP has no subsidiaries.

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 Loans and their Related Security pursuant to the terms of 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 operations or 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 registered offices are:

Name	Registered Office
Leeds Building Society	26 Sovereign Street, Leeds, West Yorkshire, LS1 4BJ
Leeds Covered Bond Designated Members (No.1) Limited	1 Bartholomew Lane, London, EC2N 2AX
Leeds Covered Bond Designated Members (No.2) Limited	1 Bartholomew Lane, London, EC2N 2AX

The LLP has no employees.

Directors of the Members

The following table sets out the directors of the First Designated Member and their respective business addresses and occupations:

Name	Business Address	Business Occupation
Intertrust Directors 1 Limited	1 Bartholomew Lane, London, EC2N 2AX	Acting as corporate director of special purpose companies
Intertrust Directors 2 Limited	1 Bartholomew Lane, London, EC2N 2AX	Acting as corporate director of special purpose companies

Name	Business Address	Business Occupation
Helena Whitaker	1 Bartholomew Lane, London, EC2N 2AX	Director

The following table sets out the directors of the Second Designated Member and their respective business addresses and occupations:

Name	Business Address	Business Occupation
Intertrust Directors 1 Limited	1 Bartholomew Lane, London, EC2N 2AX	Acting as corporate director of special purpose companies
Intertrust Directors 2 Limited	1 Bartholomew Lane, London, EC2N 2AX	Acting as corporate director of special purpose companies
Helena Whitaker	1 Bartholomew Lane, London, EC2N 2AX	Director

The following table sets out the directors of Intertrust Directors 1 Limited and Intertrust Directors 2 Limited and their respective business addresses and occupations:

Name	Business Address	Business Occupation
Wenda Adriannase	1 Bartholomew Lane, London, EC2N 2AX	Director
Ian Hancock	1 Bartholomew Lane, London, EC2N 2AX	Director
Helena Whitaker	1 Bartholomew Lane, London, EC2N 2AX	Director

The directors of Leeds Building Society are set out under "*The Issuer – Board of Directors*" above.

There are no potential conflicts of interest between any duties to the LLP of the Members of the LLP and of the directors of the Members, as described above, and their private interests or other duties in respect of their management roles.

SUMMARY OF THE PRINCIPAL DOCUMENTS

Trust Deed

The Trust Deed, made between the Issuer, the LLP, the Bond Trustee and the Security Trustee on the Programme Date as supplemented on 2 October 2009, 5 October 2010, 15 December 2011, 27 December 2012, 9 December 2013, 27 November 2015, 30 January 2017, 6 December 2018, 15 December 2020 and 14 December 2021 is the principal agreement governing the Covered Bonds. The Trust Deed contains provisions relating to, *inter alia*:

- the constitution of the Covered Bonds and the terms and conditions of the Covered Bonds (as more fully set out under "*Terms and Conditions of the Covered Bonds*" above);
- the covenants of the Issuer and the LLP;
- the terms of the Covered Bond Guarantee (as described below);
- the enforcement procedures relating to the Covered Bonds and the Covered Bond Guarantee; and
- the appointment, powers and responsibilities of the Bond Trustee and the circumstances in which the Bond Trustee may resign or retire or be removed.

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 have become Due for Payment but would otherwise be unpaid, on any Original Due for Payment Date or, if applicable, Extended Due for Payment Date, by the Issuer. 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 is required to serve a Notice to Pay on the LLP. Payment by the LLP of the Guaranteed Amounts pursuant to the Covered Bond Guarantee is required to be made on the later of: (i) the day which is two Business Days following service of a Notice to Pay on the LLP; or (ii) the day on which the Guaranteed Amounts are otherwise 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, assessment or other governmental charges of whatever nature, unless the withholding or deduction of such taxes, assessments or other governmental charges are required by law or regulation or administrative practice of any jurisdiction. 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 amount to the Bond Trustee or any holder of Covered Bonds or Coupons 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 (following service of an Issuer Acceleration Notice and Notice to Pay or, if earlier, service of an LLP Acceleration Notice) unconditional, irrespective of, and unaffected by, any invalidity, irregularity or unenforceability of, or defect in, any provisions of the Trust Deed, the Deed of Charge, the Conditions, the applicable Final Terms, the Covered Bonds or the Coupons or any other Transaction Document 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 9(b) of the Conditions, failure by the LLP to pay the Guaranteed Amounts when Due for Payment will result in an LLP Event of Default.

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 GIC Account (or the Stand-by GIC Account, as applicable) 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 GIC Account (or Stand-by GIC Account, as applicable). 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 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 described above.

The Trust Deed is governed by English law.

Intercompany Loan Agreement

On each Issue Date, the Issuer will use the proceeds of the Covered Bonds issued under the Programme to lend on that date an amount equal to the Principal Amount Outstanding on the Issue Date of the issue of the related Covered Bonds 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, if not denominated in Sterling, 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) as consideration for the acquisition of Loans and their Related Security from the Seller pursuant to the terms of the Mortgage Sale Agreement, as described under – "*Mortgage Sale Agreement – Sale by the Seller of Loans and their Related Security*"; 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 and thereafter may be applied by the LLP: (a) as consideration in part for the acquisition of Loans and their Related Security from the Seller pursuant to the terms of the Mortgage Sale Agreement, as described under – "*Mortgage Sale Agreement – Sale by the Seller of Loans and their Related Security*"; and/or (b) to invest in Substitution Assets in an amount not exceeding the prescribed limit; and/or (c) (subject to written confirmation from the LLP that on the relevant Issue Date it has not been served with an Asset Coverage Test Breach Notice which has not been revoked), to make a Capital Distribution to a Member; and/or (d) if an existing Series, or part of an existing Series, of Covered Bonds is being refinanced by such issue of Covered Bonds, to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced (after exchange

into the currency of the Term Advance(s) being repaid, if necessary); and/or (e) to make a deposit in the GIC Account or, as applicable, the Stand-by GIC Account and/or (if so directed by the Issuer) the LBS Reserve Fund Account (including, without limitation, to fund the Reserve Funds to an amount not exceeding, as applicable, the Reserve Fund Required Amount or the LBS Reserve Fund Required 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 Advances(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 amounts paid by the LLP due on 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; and (ii) the Principal Amount Outstanding of any Covered Bonds (the proceeds of which were originally applied to make a Term Advance to the LLP) purchased by the LLP and cancelled in accordance with Condition 6(h).

The Intercompany Loan Agreement is governed by English law.

Mortgage Sale Agreement

Sale by the Seller of Loans and Related Security

Loans and their Related Security will be sold by the Seller to the LLP from time to time pursuant to the terms of the Mortgage Sale Agreement entered into between the Society (in its capacity as Seller), the LLP and the Security Trustee on the Programme Date as amended and restated on 2 October 2009 (as amended and/or supplemented and/or restated from time to time).

The Portfolio will consist of Loans and their Related Security sold from time to time by the Seller to the LLP in accordance with the terms of the Mortgage Sale Agreement. The types of Loans forming part of the Portfolio will vary over time provided that, at the time the relevant Loans are sold to the LLP, the Eligibility Criteria (as described below) in respect of such Loans are met on the relevant Transfer Date. Accordingly, the Portfolio may, at any time, include Loans with characteristics that were not being offered to Borrowers on previous Transfer Dates.

Prior to the occurrence of an Issuer Event of Default or an LLP Event of Default, the LLP will acquire Loans and their Related Security from the Seller in the three circumstances described below:

(a) *first*, in relation to the issue of Covered Bonds from time to time in accordance with the Programme, the Issuer will make Term Advances to the LLP, the proceeds of which may be applied in whole or in part by the LLP to acquire Loans and their Related Security from the Seller. In exchange for the sale of the Loans and their Related Security to the LLP, the Seller will receive an amount equal to the True Balance of

those Loans sold by it as at the Transfer Date, which will be satisfied by a combination of:

(i) a cash payment to be made by the LLP from the proceeds of the relevant Term Advance and/or from Available Principal Receipts (unless an Asset Coverage Test Breach Notice has been served and is unrevoked); and/or

(ii) the Seller being treated as having made a Capital Contribution in an amount equal to the difference between the aggregate of the True Balance of the Loans sold by the Seller as at the relevant Transfer Date and the cash payment (if any) made by the LLP; and

(iii) Deferred Consideration;

(b) *second*, prior to service of an Asset Coverage Test Breach Notice on the LLP (which has not been revoked), the LLP will use the Available Principal Receipts to acquire New Loans and their Related Security from the Seller and/or Substitution Assets (in respect of any Substitution Assets, up to the prescribed limit) on each LLP Payment Date; and

(c) *third*, the LLP and the Seller are required to ensure that the 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 Loans and their Related Security to the LLP on or before the next Calculation Date so that the Portfolio is in compliance with the Asset Coverage Test in consideration of the Seller being treated as having made a Capital Contribution (in an amount equal to the True Balance of the New Loans sold by the Seller as at the relevant Transfer Date) and in consideration of the right to receive the Deferred Consideration.

If Selected Loans and their Related Security are sold by or on behalf of the LLP as described below under "*LLP Deed – Requirement to sell Selected Loans following service of a Notice to Pay*", the obligations of the Seller insofar as they relate to those Selected Loans and their Related Security will cease to apply.

The Seller will also be required to repurchase Loans and their Related Security sold to the LLP in the circumstances described below under "*Repurchase of Loans*".

Eligibility Criteria

The sale of Loans and their Related Security to the LLP will be subject to various conditions (the **Eligibility Criteria**) being satisfied on the relevant Transfer Date or in respect of Additional Loan Advances, on the next Calculation Date, including:

(a) no Issuer Event of Default or LLP Event of Default under the Transaction Documents has occurred which is continuing as at the relevant Transfer Date;

(b) 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 New Portfolio on the relevant Transfer Date will adversely affect the then current rating by Moody's or Fitch of the Covered Bonds;

(c) the weighted average yield on the Loans in the Portfolio (including the loans which it is proposed will be New Loans) is at least 0.25 per cent. greater than the SONIA Spot

Rate published on the final London Business Day in the previous Calculation Period after taking into account: (i) the weighted average yield on the Loans; and (ii) the margins on the Interest Rate Swap and any additional interest rate swaps entered into by the LLP; and (iii) the average yield on any Substitution Assets held by the LLP;

(d) if the sale of loans which it is proposed will be New Loans on the relevant Transfer Date includes the sale of New Loan Types to the LLP, the Security Trustee has received Rating Agency Confirmation that such New Loan Types may be sold to the LLP; and

(e) the percentage of the Loans in the Portfolio that are buy-to-let (including the loans which it is proposed will be New Loans) will not exceed 15%;

provided that in each case, as certified by an Authorised Signatory of each of the Issuer and the LLP, if the Transfer Date is an Issue Date, of the conditions set out in (a) to (e) above, only conditions (a), (c) and (d) are required to be satisfied to effect an assignment and transfer of the loans which is proposed will be New Loans.

If the Seller accepts an application from or makes an offer (which is accepted) to a Borrower for a Product Switch or Additional Loan Advance, then if the Eligibility Criterion referred to in paragraph (c) relating to the Loan subject to that Product Switch or Additional Loan Advance is not satisfied on the next following Calculation Date, the LLP will be entitled to rectify the relevant breach of that Eligibility Criteria by requiring the Seller to transfer further Loans to the LLP in an amount sufficient to ensure that the Eligibility Criterion in paragraph (c) above is met.

On the relevant Transfer Date, the Representations and Warranties (described below in – "*Representations and Warranties*") will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the LLP.

Transfer of Title to the Loans to the LLP

English Loans and Northern Irish Loans and their Related Security will be sold by the Seller to the LLP by way of equitable assignment. Scottish Loans (if any) and their Related Security will be sold by the Seller to the LLP on the First Transfer Date by way of a Scottish Declaration of Trust and further Scottish Loans may be sold by the Seller to the LLP after the First Transfer Date by way of further Scottish Declarations of Trust, under which the beneficial interest in such Scottish Loans will be transferred to the LLP. In relation to Scottish Loans, references in this document to a sale of Loans or to Loans having been sold are to be read as references to the making of such Scottish Declarations of Trust. Such beneficial interest (as opposed to the legal title) cannot be registered or recorded in the Registers of Scotland. As a result, legal title to all of the Loans and their Related Security will remain with the Seller until legal assignments or assignations (as appropriate) are delivered by the Seller to the LLP and notice of the sale is given by the Seller to the Borrowers. Legal assignment or assignation (as appropriate) of the Loans and their Related Security (including, where appropriate, their registration or recording in the relevant property register) to the LLP will be deferred and will only take place in the limited circumstances described below.

Legal assignment or assignation (as appropriate) of the Loans and their Related Security to the LLP (or, where specified, of the Selected Loans and their Related Security) will be completed on or before the 20th Business Day after the earliest of the following:

(a) either: (i) the occurrence of an Issuer Event of Default under Condition 9(a)(i) to 9(a)(vi) and service on the Issuer of an Issuer Acceleration Notice and the service on the LLP of a Notice to Pay; or (ii) if the Bond Trustee has previously served on the Issuer an Issuer Acceleration Notice and served on the LLP a Notice to Pay in respect

of an Issuer Event of Default under Condition 9(a)(vii), then the occurrence of any other Issuer Event of Default;

(b) a written direction is received by the Issuer from the FCA requiring the transfer of all of the engagements or the business of the Issuer to another entity in circumstances where the rights of borrowing members of the Society will cease (provided that, where approval of the transfer is required by either the relevant UK regulatory authority or by applicable law from the members of the Issuer, such approval is obtained);

(c) in respect of Selected Loans only, at the request of the LLP following the acceptance of any offer to sell the Selected Loans and their Related Security to any person who is not the Seller;

(d) the Seller and/or the LLP being required: (i) by law; (ii) by an order of a court of competent jurisdiction; (iii) by a regulatory authority which has jurisdiction over the Seller; or (iv) by any organisation of which the Seller is a member, or whose members comprise, but are not necessarily limited to, mortgage lenders and with whose instructions it is customary for the Seller to comply, to perfect legal title to the Loans; and

(e) the Seller requesting a transfer by way of assignment or assignation (as appropriate) by giving notice in writing to the LLP and the Security Trustee.

Pending completion of the transfer, the right of the LLP to exercise the powers of the legal owner of, or (in Scotland) the heritable creditor under, the Mortgages will be secured by, or (in Scotland) supported by, an irrevocable power of attorney granted by the Seller in favour of the LLP and the Security Trustee.

Except where lodged with the relevant registry in relation to any registration or recording which may be pending at the Land Registry or the Registers of Scotland or the Registers of Northern Ireland, and save in relation to Loans which are Dematerialised Loans, the Title Deeds and Loan Files relating to the Loans in the Portfolio will be held by or to the order of the Seller or the Servicer, as the case may be, or by solicitors, licensed conveyancers or (in Scotland) qualified conveyancers acting for the Seller in connection with the creation of the Loans and their Related Security. The Seller or the Servicer, as the case may be, will undertake that, save in relation to Loans which are Dematerialised Loans, all of the Title Deeds and Loan Files relating to the Loans in the Portfolio which are at any time in their possession or under their control or held to their order will be held to the order of the Security Trustee or as the Security Trustee may direct.

Representations and Warranties

None of the LLP, the Security Trustee or the Bond Trustee has made or has caused to be made on its behalf any enquiries, searches or investigations in respect of the Loans and their Related Security to be sold to the LLP. Instead, each is relying entirely on the Representations and Warranties by the Seller contained in the Mortgage Sale Agreement. The parties to the Mortgage Sale Agreement may, with the prior written consent of the Security Trustee (which shall be given if Rating Agency Confirmation has been received by the LLP or the Issuer), amend the Representations and Warranties in the Mortgage Sale Agreement. The material Representations and Warranties are as follows and are given on the relevant Transfer Date in respect of the Loans and Related Security to be sold to the LLP only on that date and on the Calculation Date following the making of any Additional Loan Advance or Product Switch in respect of the Loan to which the Additional Loan Advance or Product Switch relates only:

- each of the Loans was originated or purchased by the Seller or any successor in business in the ordinary course of business on or after 1 January 1999 (in the case of English Loans), 1 January 2005 (in the case of Scottish Loans) or 1 January 2004 (in the case of Northern Irish Loans) and was denominated in Sterling upon origination or acquisition (or was denominated in euro upon origination or acquisition if the euro has been adopted as the lawful currency of the United Kingdom) and in respect of Loans purchased or acquired by the Seller: (a) Rating Agency Confirmation has been obtained by the Seller that the purchase or acquisition of such Loans by the Seller would not adversely affect the then current ratings of the Covered Bonds; and (b) the amount of Loans purchased by the Seller does not exceed 20 per cent. of the Portfolio;

- each English Loan and Northern Irish Loan was made not earlier than 1991 and each Scottish Loan was made not earlier than 1995;

- at least one monthly payment due in respect of each Loan has been paid by the relevant Borrower;

- no Loan has any arrears outstanding;

- no Loan relates to a Property which is not a residential property;

- no Loan has a True Balance of more than £1,000,000;

- each Loan has a remaining term of less than 50 years as at the relevant Transfer Date;

- prior to the making of each Initial Advance and Additional Loan Advance, the Lending Criteria and all preconditions to the making of any Loan were satisfied in all material respects subject only to such exceptions and waivers as made on a case by case basis as would be acceptable to a Reasonable, Prudent Mortgage Lender;

- the Lending Criteria are consistent with the criteria that would be used by a Reasonable, Prudent Mortgage Lender;

- all of the Borrowers are individuals (and not partnerships) and were aged 18 years or older at the date he or she executed the relevant Mortgage;

- subject to, in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant local authority or other social landlord (or in Northern Ireland, the Northern Ireland Housing Executive) which has not been postponed, the whole of the True Balance on each Loan is secured by a Mortgage over a residential Property;

- subject to, in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant local authority or other social landlord (or in Northern Ireland, the Northern Ireland Housing Executive) which has not been postponed, and subject in certain appropriate cases to the completion of an application for registration or recording at the Land Registry, the Registers of Scotland or the Registers of Northern Ireland, each Mortgage constitutes a valid and subsisting first charge by way of legal mortgage or (in Scotland) a valid and subsisting first ranking standard security over the relevant Property or (in Northern Ireland) a valid and subsisting first charge (in relation to registered land) or a valid and subsisting first mortgage by way of demise or sub-demise (in relation to unregistered land);

- the True Balance on each Loan and its Related Security constitute a legal, valid, binding and enforceable debt due to the Seller from the relevant Borrower and the terms of each Loan and its Related Security constitute valid and binding obligations of the Borrower enforceable in accordance with their terms and are non-cancellable except that enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the courts' discretion in relation to equitable remedies;

- all approvals, consents and other steps necessary to permit a legal or equitable or beneficial transfer, or a transfer of servicing or other disposal as and in the manner contemplated by the Transaction Documents from the Seller to the LLP, of the Loans and their related Mortgages to be sold under the Mortgage Sale Agreement have been obtained or taken and there is no requirement in order for the transfer to be effective to obtain the consent of the Borrower before, on or after any equitable or beneficial transfer or before any legal transfer of the Loans and their related Mortgages and such transfer or disposal shall not give rise to any claim by the Borrower against the LLP, the Security Trustee or any of their successors in title or assigns;

- all of the Properties are located in England or Wales, Scotland or Northern Ireland;

- unless the Loan is a Loan Without Independent Valuation, not more than 12 months (or a longer period as may be acceptable to a Reasonable, Prudent Mortgage Lender) prior to the granting of each Mortgage, the Seller received a Valuation Report on the relevant Property (or another form of report concerning the valuation of the relevant Property as would be acceptable to a Reasonable, Prudent Mortgage Lender), the contents of which were such as would be acceptable to a Reasonable, Prudent Mortgage Lender;

- prior to the taking of each Mortgage (other than a remortgage), the Seller: (a) instructed its solicitor, licensed conveyancer or (in Scotland) qualified conveyancer to carry out an investigation of title to the relevant Property and to undertake other searches, investigations, enquiries and other actions on behalf of the Seller in accordance with the instructions which the Seller issued to the relevant solicitor, licensed conveyancer or (in Scotland) qualified conveyancer as are set out, in the case of English Loans, in the CML Lenders' Handbook for England and Wales (or, for Mortgages taken before the CML Lenders' Handbook for England and Wales was adopted in 1999, the Seller's standard form instructions to solicitors) and, in the case of Scottish Loans, the CML Lenders' Handbook for Scotland (or, for Mortgages taken before the CML Lenders' Handbook for Scotland was adopted in 2000, the Seller's standard form instruction to solicitors) and, in the case of Northern Irish Loans, the CML Lender's Handbook for Northern Ireland or other comparable or successor instructions and/or guidelines as may for the time being be in place, subject only to those variations as would be acceptable to a Reasonable, Prudent Mortgage Lender and (b) received a Certificate of Title from the solicitor or licensed conveyancer or qualified conveyancer referred to in item (a) above relating to such Property the contents of which were such as would have been acceptable to a Reasonable, Prudent Mortgage Lender at that time;

- buildings insurance cover for each Property is available under one of: (i) a buildings insurance policy arranged by the Borrower in accordance with the relevant Mortgage Conditions; or (ii) in the case of a leasehold property or a commonhold property a buildings insurance policy arranged by the relevant landlord or property management company or commonhold association;

- immediately prior to the purchase of any Loan and the Related Security by the LLP, and subject to registration or recording at the Land Registry or the Registers of Scotland or (as the case may be) the Registers of Northern Ireland, the Seller has good title to, and is the absolute unencumbered legal and beneficial owner of, all property, interests, rights and benefits in relation to the Loans and Related Security agreed to be sold and/or assigned by the Seller to the LLP under the Mortgage Sale Agreement;

- the Seller has, since the making of each Loan, kept or procured the keeping of full and proper accounts, books and records as are necessary to show all material transactions, payments, receipts, proceedings and notices relating to such Loan;

- there are no governmental authorisations, approvals, licences or consents required as appropriate for the Seller to enter into or to perform its obligations under the Mortgage Sale Agreement or to render the Mortgage Sale Agreement legal, valid, binding, enforceable and admissible in evidence in a court in England and Wales which have not been obtained;

- each Loan and its Related Security will be "eligible property" for the purposes of Regulation 2 of the RCB Regulations;

- the rate of interest under each Loan is charged in accordance with the Standard Documentation, subject to the terms of any offer letter in relation thereto; and

- in relation to buy-to-let loans, the relevant tenancy, at the point of origination and, after that, as far as the Seller is reasonably aware, in respect of each Mortgaged Property is (in England and Wales) is an assured shorthold tenancy or (in Scotland) a short assured tenancy or private residential tenancy or would be an assured shorthold tenancy or short assured tenancy but for the rent payable under such tenancy exceeding the maximum amount prescribed by statute in respect of such tenancies or (in Northern Ireland) is a private tenancy not subject to the Rent (Northern Ireland) Order 1978 and each tenancy agreement as at the time of origination of the relevant Loan is on terms which would be acceptable to a Reasonable, Prudent Mortgage Lender and the relevant Seller is not aware of any material breach of such agreement.

If New Loan Types are to be sold to the LLP, then the Representations and Warranties in the Mortgage Sale Agreement will be modified as required to accommodate these New Loan Types. The prior consent of the Covered Bondholders to the requisite amendments will not be required to be obtained.

Repurchase of Loans

If the Seller receives a Repurchase Notice from the Cash Manager identifying a Loan or its Related Security in the Portfolio which does not, as at the relevant Transfer Date or relevant Calculation Date (in the case of an Additional Loan Advance), materially comply with the Representations and Warranties set out in the Mortgage Sale Agreement, then the Seller will be required to repurchase: (i) any such Loan and its Related Security; and (ii) any other Loan secured or intended to be secured by that Related Security or any part of it. The repurchase price payable upon the repurchase of any Loan is an amount (not less than zero) equal to the True Balance thereof. The repurchase proceeds received by the LLP will be applied (other than Accrued Interest and Arrears of Interest) in accordance with the Pre-Acceleration Principal Priority of Payments (see "*Cashflows*" below).

In addition to the foregoing circumstances, the Seller will also be required to repurchase a Loan or Loans and its or their Related Security sold by the Seller to the LLP where:

(i) an Additional Loan Advance made in respect of a Loan results in certain Eligibility Criteria being breached;

(ii) a Product Switch occurs and on the Calculation Date immediately following the making of the Product Switch, the relevant Loan does not materially comply with the Representations and Warranties; or

(iii) if the Seller accepts an application from, or makes an offer to, a Borrower (which is accepted) for a Product Switch or Additional Loan Advance, at the option of the LLP in its sole discretion, or if the Seller intends to accept an application from, or to make an offer to, a Borrower for a Product Switch or Additional Loan Advance that would result in the LLP being required to be regulated by the relevant UK regulatory authority by reason of it entering into or arranging a Regulated Mortgage Contract.

Defaulted Loans

If the Seller receives a Defaulted Loans Notice from the Cash Manager identifying any Defaulted Loan, then that Defaulted 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 Loan and its Related Security from the LLP for an amount equal to its True Balance as at the date of repurchase.

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 Loan and its Related Security from the LLP for a purchase price of not less than the aggregate True Balance of the relevant Loan. 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 Loans and their Related Security.

The LLP will serve on the Seller a Selected Loan Offer Notice offering to sell those Selected Loans and their Related Security for an offer price equal to the greater of the then True Balance of the Selected Loans 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 Loans and their Related Security to other Purchasers (as described under "*LLP Deed – Sale of Selected 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 Loans and their Related Security, the LLP will, within three Business Days of such acceptance, serve a Selected Loan Repurchase Notice on the Seller. The Seller will sign and return a duplicate copy of the Selected 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 Loans and their Related Security (and any other Loan secured or intended to be secured by that Related Security or any part of it) referred to in the relevant Selected Loan Repurchase Notice. Completion of the purchase of the Selected Loans and their Related Security by the Seller will take place on the LLP Payment Date after receipt of the Selected Loans Repurchase Notice(s) or such date as the LLP may direct in the Selected Loans Repurchase Notice (provided that such date is not later than the earlier to occur of the date which is: (a) ten Business Days after receipt by the LLP of the

returned Selected Loan Repurchase Notice; and (b) the Final Maturity Date of the Earliest Maturing Covered Bonds).

For the purposes hereof:

Adjusted Required Redemption Amount means, the Sterling Equivalent of the Required Redemption Amount, plus or minus the Sterling Equivalent of any swap termination amounts payable under the Covered Bond Swap Agreement by or to the LLP respectively 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 (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 or minus any swap termination amounts payable by or to the LLP respectively under the Interest Rate Swap Agreement.

Required Redemption Amount means, 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 x (days to maturity of the relevant Series of Covered Bonds/365))

Additional Loan Advances, Product Switches

The Seller is solely responsible for funding all Additional Loan Advances in respect of Loans sold by the Seller to the LLP, if any. The amount of the Seller's Capital Contribution will increase by the amount of the funded Additional Loan Advances. If the Seller (i) accepts an application from, or makes an offer (which is accepted) to, a Borrower for a Product Switch or an Additional Loan Advance, or (ii) intends to accept an application from, or make an offer to a Borrower, for a Product Switch or Additional Loan Advance which would result in the LLP being required to be regulated by the relevant UK regulatory authority by reason of it entering into or arranging a Regulated Mortgage Contract, the LLP may, in its sole discretion, serve on the Seller a Loan Repurchase Notice (in duplicate) requiring the Seller to repurchase the relevant Loan which is the subject of the Product Switch or Additional Loan Advance and its Related Security (and any other Loan secured or intended to be secured by that Related Security or any part of it) provided that in the case of (i) above, the Seller may offer to sell the relevant Loan(s) back to the LLP as described above under "*Sale by the Seller of Loans and Related Security*".

Authorised Underpayments

In the event that the Seller permits a Borrower to make an Authorised Underpayment, the Seller will be required to pay to the LLP an amount equal to the unpaid interest associated with that Authorised Underpayment and the amount of any such payment shall be credited to the Revenue Ledger and shall constitute a Cash Capital Contribution by the Seller to the LLP.

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 and the LLP Deed as a Member. The sale of New Loans and their Related Security by New Sellers to the LLP will be subject to certain conditions, including the following:

- 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 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 Loans and their Related Security comprised in the Initial Portfolio under the LLP Deed;

- 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 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 Loans and their Related Security comprised in the Initial Portfolio under the Mortgage Sale Agreement;

- each New Seller accedes to the Programme Agreement and enters into such other documents as may be required by the Security Trustee, the Bond Trustee and/or the LLP (acting reasonably) to give effect to the addition of a New Seller to the transactions contemplated under the Programme;

- each New Seller ensures that any New Loans and their Related Security sold by such New Seller to the LLP comply with criteria equivalent to the Eligibility Criteria and representations and warranties equivalent to the Representations and Warranties set out in the Mortgage Sale Agreement;

- each New Seller procures that either the Servicer services the New Loans and their Related Security sold by such New Seller on the terms set out in the Servicing Deed (with such subsequent amendments as may be agreed by the parties thereto) or the New Seller (or its nominee) enters into a servicing deed with the LLP and the Security Trustee which sets out the servicing obligations of the New Seller (or its nominee) in relation to the New Loans and their Related Security and which is on terms substantially similar to the terms set out in the Servicing Deed (fees payable to the Servicer or the New Seller (or its nominee) acting as servicer of such New Loans and their Related Security would be determined on the date of the accession of the New Seller to the Programme);

- the LLP and the Cash Manager certify in writing to the Security Trustee that any accession of a New Seller to the Programme will not prejudice the Asset Coverage Test; and

- the Security Trustee is provided with a Rating Agency Confirmation in relation to the accession of a New Seller to the Programme.

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.

The Mortgage Sale Agreement is governed by English law (other than certain aspects relating to Scottish Loans and their Related Security and Northern Irish Loans and their Related Security, which are governed by Scots law and Northern Irish law respectively).

Servicing Deed

Pursuant to the terms of the Servicing Deed entered into on the Programme Date, as supplemented on 15 December 2011, amended on 6 December 2018, supplemented on 15 December 2020 and 14 December 2021 between the LLP, the Society (in its capacity as Servicer) and the Security Trustee, the Servicer has agreed to manage on behalf of the LLP the Loans and their Related Security sold by the Seller to the LLP.

The Servicer will be required to manage the Loans in accordance with the Servicing Deed and:

(i) as if the Loans and their Related Security sold by the Seller to the LLP had not been sold to the LLP but remained with the Seller; and

(ii) in accordance with the Seller's administration, arrears and enforcement policies and procedures forming part of the Seller's policy from time to time as they apply to those Loans.

The Servicer's actions in managing the Loans in accordance with the Servicing Deed will be binding on the LLP and the Secured Creditors.

The Servicer will have the power to exercise the rights, powers and discretions and to perform the duties of the LLP in relation to the Loans and their Related Security that it is servicing pursuant to the terms of the Servicing Deed, and to do anything which it reasonably considers necessary or convenient or incidental to the administration of those Loans and their Related Security.

Undertakings of the Servicer

Pursuant to the terms of the Servicing Deed, the Servicer will undertake in relation to those Loans and their Related Security that it is servicing, *inter alia*, to:

- act as collection agent for the LLP under the Direct Debiting Scheme in accordance with the provisions of the Servicing Deed;
- notify relevant Borrowers of any change in their Monthly Payments;
- keep records and accounts on behalf of the LLP in relation to the Loans and their Related Security comprised in the Portfolio;
- keep the Loan Files and Title Deeds in its possession or under its control in safe custody and maintain records necessary to enforce each Mortgage and where relevant, any other Related Security and to provide the LLP and the Security Trustee with access to the Title Deeds (other than Title Deeds in relation to Loans which are Dematerialised Loans) and other records relating to the administration of the Loans and their Related Security;
- keep any records necessary for all taxation purposes, including, without limitation, VAT;
- assist the auditors of the LLP and provide information to them upon reasonable request;
- provide a redemption statement upon the request of a relevant Borrower or the Borrower's solicitor, licensed conveyancer or otherwise at the discretion of the Servicer;
- notify relevant Borrowers of any other matter or thing which the applicable Mortgage Conditions or Offer Conditions require them to be notified of in the manner and at the time required by the relevant Mortgage Conditions or Offer Conditions;
- take all reasonable steps to recover all sums due to the LLP including without limitation by the institution of proceedings and/or the enforcement of any Loan comprised in the Portfolio or its Related Security, using the discretion of a Reasonable, Prudent

Mortgage Lender in applying the enforcement procedures forming part of the Seller's Policy;

- take all other action and do all other things which it would be reasonable to expect a Reasonable, Prudent Mortgage Lender to do in administering its loans and their related security;

- maintain a register in respect of the Portfolio;

- make available to the LLP and the Security Trustee a report on a monthly basis containing information about the Loans and their Related Security comprised in the Portfolio;

- provide to the relevant UK regulatory authority such information about the Loans and their Related Security contained in the Portfolio and/or such other information as the relevant UK regulatory authority may direct pursuant to Regulation 18 of the RCB Regulations; and

- assist the Cash Manager in the preparation of a monthly asset coverage report in accordance with the Cash Management Agreement.

The Servicer undertakes that in the event of the Seller being assigned a short-term rating of lower than F2 by Fitch or lower than P-2 by Moody's, then it shall redirect any direct debits from Borrowers into accounts controlled by it in respect of Loans to the CB Collection Account. All amounts credited to the CB Collection Account shall be paid to the Stand-by GIC Account in accordance with the requirements of, and the time limits set out in, the Servicing Deed. The Servicer also acknowledges that it shall hold all amounts standing to the credit of the CB Collection Account on trust for the LLP.

Setting of Standard Variable Rate and other discretionary rates and margins

Pursuant to the terms of the Mortgage Sale Agreement and in accordance with Mortgage Conditions applicable to certain of the Loans, the Seller has prescribed policies relating to interest rate setting, arrears management and handling of complaints which the LLP (and any subsequent purchaser thereof) will be required to adhere to following the transfer of Loans and their Related Security. Such arrears management and handling of complaints policies are consistent with those to be applied by the Servicer under the terms of the Servicing Deed. The interest rate setting policy specified in the Mortgage Sale Agreement is only applicable to Loans with interest rates which may be varied from time to time in the discretion of the lender and requires that such interest rates should be set in accordance with any applicable statement of good practice of the relevant UK regulatory authority or any other requirements or recommendations of the relevant UK regulatory authority with which it is customary to comply.

In addition to the undertakings described above, the Servicer has also undertaken in the Servicing Deed to determine and set in relation to all of the Loans in the Portfolio the LLP Standard Variable Rate and any other discretionary rates and margins (in accordance with the policy to be adhered to by the LLP above) except in the limited circumstances described below in this subsection when the LLP will be entitled to do so. The Servicer will not at any time prior to service of a Notice to Pay on the LLP and/or the transfer of legal title to the Portfolio (or any part thereof) to the LLP, without the prior consent of the LLP, set or maintain:

(i) the LLP Standard Variable Rate applicable to the Loans sold by the Seller to the LLP and in the Portfolio at a rate which is higher than (although it may be lower than or equal to) the then prevailing Standard Variable Rate of the Seller which applies to mortgage loans beneficially owned by the Seller outside the Portfolio; and

(ii) any other discretionary rate or margin in respect of any other Loan sold by the Seller to the LLP and in the Portfolio which is higher than (although it may be lower than or equal to) the interest rate or margin which applies to that type of mortgage loan beneficially owned by the Seller outside the Portfolio.

In particular, the Servicer shall determine on each Calculation Date, having regard to:

(a) the income which the LLP would expect to receive during the next succeeding LLP Payment Period (the **Relevant LLP Payment Period**);

(b) the LLP Standard Variable Rate and any other discretionary rate or margin in respect of the Loans which the Servicer proposes to set under the Servicing Deed for the Relevant LLP Payment Period; and

(c) the other resources available to the LLP including the Interest Rate Swap Agreement, 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 or, if a Notice to Pay has been served, the Covered Bond Guarantee on each LLP Payment Date falling at the end of 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 each LLP Payment Date of each Series of Covered Bonds falling at the end of the Relevant LLP Payment Period; and (2) the other senior expenses payable by the LLP ranking in priority thereto in accordance with the relevant Priority of Payments applicable prior to an LLP Event of Default and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security.

If the Servicer determines that there will be a shortfall in the foregoing amounts, it will give written notice to the LLP and the Security Trustee, within one Business Day, of the amount of the shortfall. If the LLP or the Security Trustee notifies the Servicer and the Seller that, having regard to the obligations of the LLP and the amount of the shortfall, further Loans and their Related Security should be sold by the Seller to the LLP pursuant to the Mortgage Sale Agreement, the Seller will use all reasonable endeavours to offer to sell New Loans and their Related Security to the LLP on or before the next Calculation Date which have a Standard Variable Rate and/or other discretionary rates or margins sufficient to avoid such shortfall on future Calculation Dates. In consideration of such sale, the Seller will be treated as having made a Capital Contribution (in an amount equal to the True Balance of the New Loans) sold by the Seller as at the relevant Transfer Date and will be entitled to receive the Deferred Consideration.

In addition, the Servicer shall determine on each Calculation Date following an Issuer Event of Default, having regard to the aggregate of:

(a) the LLP Standard Variable Rate and any other discretionary rate or margin, in respect of the Loans which the Servicer proposes to set under the Servicing Deed for the relevant LLP Payment Period; and

(b) the other resources available to the LLP under the Interest Rate Swap Agreement,

whether the LLP would receive an aggregate amount of interest on the Loans and amounts under the Interest Rate Swap Agreement during the Relevant LLP Payment Period which would give a yield on the Loans of at least the SONIA Spot Rate published on the final London Business Day in the previous Calculation Period plus 0.30 per cent. (the **Yield Shortfall Test**).

If the Servicer determines that the Yield Shortfall Test will not be met, it will give written notice to the LLP and the Security Trustee, within one Business Day, of the amount of the shortfall and the LLP Standard Variable Rate and the other discretionary rates or margins which would, in the Servicer's 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) on which the change to the LLP Standard Variable Rate and the other discretionary rates or margins would take effect and at all times acting in accordance with the standards of a Reasonable, Prudent Mortgage Lender. If the LLP notifies the Servicer that, having regard to the obligations of the LLP, the LLP Standard Variable Rate and/or the other discretionary rates or margins should be increased, the Servicer or replacement Servicer, as the case may be, will take all steps which are necessary to increase the LLP Standard Variable Rate and/or any other discretionary rates or margins including publishing any notice which is required in accordance with the Mortgage Conditions.

The LLP and the Security Trustee may terminate (to the extent it has actual knowledge of the occurrence of a Servicer Event of Default) the authority of the Servicer to determine and set the LLP Standard Variable Rate and any other variable rates or margins on the occurrence of a Servicer Event of Default as defined under "*Removal or resignation of the Servicer*", in which case the LLP (with the prior written consent of the Security Trustee) will appoint the replacement Servicer to set the LLP Standard Variable Rate and the other discretionary rates or margins itself in accordance with this sub-section.

Remuneration

As full remuneration for its servicing duties and activities and as reimbursement for any expense incurred by it in connection therewith, the Servicer or any substitute servicer which is a member of the Leeds Group is entitled to receive the fee from the LLP as set out in Servicing Deed. If, however, a servicer is appointed from outside the Leeds Group, the level of this fee may be amended.

Back-up Servicing Deed

If the Servicer ceases to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa1 or by Fitch of at least BBB, it will use reasonable efforts to appoint a back-up servicer facilitator acceptable to the LLP within 60 days of the Servicer ceasing to be assigned such ratings. If the Servicer ceases to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa2 or by Fitch of at least BBB-, it will, with the back-up servicer facilitator, use reasonable efforts to enter into a back-up servicing deed, in form and substance acceptable to the parties to the Servicing Deed, with a suitably experienced third party acceptable to, and which shall be appointed by, the LLP within 60 days of the Servicer ceasing to be assigned such rating.

Removal or resignation of the Servicer

The LLP (subject to the prior written consent of the Security Trustee) may, upon written notice to the Servicer, terminate the Servicer's rights and obligations immediately if any of the following events (each a **Servicer Termination Event** and, each of the first three events set out below, a **Servicer Event of Default**) occurs:

- the Servicer defaults in the payment of any amount due to the LLP under the Servicing Deed and fails to remedy that default for a period of three Business Days after the earlier of the Servicer becoming aware of the default and receipt by the Servicer of written notice from the Security Trustee or the LLP requiring the same be remedied;

- the Servicer fails to comply with any of its other obligations under the Servicing Deed which failure in the opinion of the Security Trustee is materially prejudicial to the Covered Bondholders and does not remedy that failure within the earlier of 20 Business

Days after becoming aware of the failure and receipt by the Servicer of written notice from the Security Trustee or the LLP requiring the same be remedied;

- an Insolvency Event occurs in relation to the Servicer; or
- the LLP resolves that the appointment of the Servicer should be terminated.

Subject to the fulfilment of a number of conditions, the Servicer may voluntarily resign by giving not less than 12 months' written notice to the Security Trustee and the LLP, including that a substitute servicer qualified to act as such under the FSMA and with a management team with experience of managing mortgages in the United Kingdom has been appointed and enters into a servicing deed with the LLP substantially on the same terms as the Servicing Deed. The resignation of the Servicer is also conditional on the resignation having no adverse effect on the then current ratings of the Covered Bonds unless the Covered Bondholders agree otherwise by Extraordinary Resolution.

If the appointment of the Servicer is terminated, the Servicer must deliver the Title Deeds and Loan Files relating to the Loans managed by it to, or at the direction of, the LLP. The Servicing Deed will terminate at such time as the LLP has no further interest in any of the Loans or their Related Security sold to the LLP and serviced under the Servicing Deed that have been comprised in the Portfolio.

The Servicer may sub-contract or delegate the performance of its duties under the Servicing Deed provided that it meets conditions as set out in the Servicing Deed.

Neither the Bond Trustee nor the Security Trustee is obliged to act as servicer in any circumstances.

The Servicing Deed is governed by English law and was made by way of deed.

Asset Monitor Agreement

Under the terms of the Asset Monitor Agreement entered into on the Programme Date between the Asset Monitor, the LLP, the Cash Manager and the Security Trustee, the Asset Monitor has agreed, subject to due receipt of the information to be provided by the Cash Manager to the Asset Monitor, to report on the arithmetic accuracy of the calculations performed by the Cash Manager on the Calculation Date immediately prior to each anniversary of the 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 the long-term ratings of the Cash Manager or the Issuer fall below Baa3/BBB- (by Moody's or Fitch, respectively), or if an Asset Coverage Test Breach Notice has been served on the Issuer and has not been revoked, the Asset Monitor will, subject to receipt of the relevant information from the Cash Manager, be required to report on such arithmetic accuracy following each Calculation Date and, following a determination by the Asset Monitor of any errors in the calculations performed by the Cash Manager such that the Asset Coverage Test has been failed on the applicable Calculation Date (where the Cash Manager had recorded it as being satisfied) or the Adjusted Aggregate Loan Amount or the Amortisation Test Aggregate Loan Amount is mis-stated 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 will be required to conduct such tests following each Calculation Date for a period of six months thereafter.

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 not misleading, and is not required to report as such or otherwise take steps to verify the accuracy of any such information. The Asset Monitor Report will be delivered to the Cash Manager, the LLP, the Issuer, the Bond Trustee and the Security Trustee.

From the Programme Date, the LLP will pay to the Asset Monitor an amount due to the Asset Monitor pursuant to the Asset Monitor Agreement.

The LLP may, at any time, only with the prior written consent of the Security Trustee, terminate the appointment of the Asset Monitor by giving at least 60 days' prior written notice to the Asset Monitor, and the Asset Monitor may, at any time, resign by giving at least 60 days' prior written notice to the LLP and the Security Trustee (any replacement Asset Monitor to be approved by the Security Trustee (such approval to be given if the replacement is an accountancy firm of national standing) which agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Agreement.

The Asset Monitor may resign from its appointment upon giving 20 days' prior written notice if any action taken by the Recipients causes a professional conflict of interest for the Asset Monitor under the rules of the professional and/or regulatory bodies regulating the activities of the Asset Monitor. The Asset Monitor will inform the Recipients as soon as reasonably practicable of any action of which the Asset Monitor is aware that may cause a professional conflict of interest for the Asset Monitor which could result in termination.

Upon receipt of any notice of resignation by the Asset Monitor, the LLP shall immediately use all reasonable endeavours to appoint a replacement (such replacement to be approved by the Security Trustee, such approval to be given if the replacement is an accountancy firm of national standing) which agrees to perform the duties of the Asset Monitor set out in the Asset Monitor Agreement. If a replacement 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 national standing to carry out the relevant tests on a one-off basis, provided that such appointment is approved by the Security Trustee.

Neither the Bond Trustee nor the Security Trustee will be obliged to act as Asset Monitor in any circumstances.

The Asset Monitor Agreement is governed by English law.

LLP Deed

The Members of the LLP have agreed to operate the business of the LLP in accordance with the terms of a limited liability partnership deed entered into on the Programme Date as supplemented on 2 October 2009, on 5 October 2010, 15 December 2011 and on or about 27 December 2012 between the LLP, the Society, the Designated Members, the Bond Trustee and the Security Trustee (the **LLP Deed**).

Members

As at the date of this Prospectus, each of the Seller and the Designated Members is a member (each a **Member**, and together with any other members from time to time, the **Members**) of the LLP. The Designated Members and (for this purpose) the Seller 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.

Any New Seller that wishes to sell New Loans and their Related Security to the LLP will, among other things, be required to become a Member of the LLP and accede to the LLP Deed, among

other documents. No New Member may be appointed without the consent of the Security Trustee which shall be given upon receipt by the LLP or the Security Trustee of a Rating Agency Confirmation.

Capital Contributions

From time to time the Society (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 Loans to the LLP). The Capital Contribution Balance of the Society shall be calculated in Sterling on each Calculation Date as the difference between: (a) the True Balance of the Portfolio as at the last day of the immediately preceding Calculation Period plus Principal Receipts standing to the credit of the LLP Accounts plus the principal amount of Substitution Assets and Authorised Investments as at the last day of the immediately preceding Calculation Period; and (b) the Sterling Equivalent of the aggregate Principal Amount Outstanding under the Covered Bonds as at the last day of the preceding Calculation Period.

If at any time, the Society is acting as the Cash Manager and a Cash Manager Relevant Event occurs and is continuing the Society in its capacity as a Member of the LLP will:

(a) within 5 London Business Days of the occurrence of the Cash Manager Relevant Event, notify the LLP, the Security Trustee, the Account Bank, the Stand-by Transaction Account Bank, the Stand-by GIC Provider and each Covered Bond Swap Provider of such event;

(b) within 10 London Business Days of the occurrence of the Cash Manager Relevant Event make a Cash Capital Contribution to the LLP in an aggregate amount equal to the Required Coupon Amount for each Series of Covered Bonds payable on:

(i) the immediately succeeding Interest Payment Date (in the case of a Term Advance where a Covered Bond Swap is not in place other than in respect of an Accumulation Series of Covered Bonds), (ii) the immediately succeeding payment date specified in the Covered Bond Swap which relates to such Series of Covered Bonds (in the case of a Term Advance where a Covered Bond Swap is in place) and/or (iii) the immediately succeeding LLP Payment Date for each such Term Advance (in the case of a Term Advance relating to an Accumulation Series of Covered Bonds) (each a **Relevant Payment Date**); and

(c) thereafter if a Required Coupon Amount Shortfall exists in respect of: (i) any Series of Covered Bonds; and/or (ii) any Covered Bond Swap, within one London Business Day of receipt by the Society of notification from the Cash Manager (on behalf of the LLP) that the occurrence of a Required Coupon Amount Shortfall exists, make a Cash Capital Contribution to the LLP in an aggregate amount equal to the Required Coupon Amount Shortfall.

Within 1 London Business Day of receipt of such Cash Capital Contribution from the Society (as a Member of the LLP), the LLP shall (or shall procure that the Cash Manager shall) transfer to the GIC Account or, as applicable, the Stand-by GIC Account (for credit to the Coupon Payment Ledger) an amount equal to the amount of the Cash Capital Contribution received by the LLP from the Society (in its capacity as a Member of the LLP) in respect of paragraphs (b) and (c) above.

Any such Cash Capital Contribution representing Required Coupon Amounts will be treated as a revenue item but will not form part of Available Revenue Receipts.

While a Cash Manager Relevant Event is continuing (but prior to the service of a Notice to Pay or an LLP Acceleration notice on the LLP) the LLP will, on each LLP Payment Date, to the extent of Available Revenue Receipts (taking into account amount to be paid in priority to any credit to the Coupon Payment Ledger) fund the Coupon Payment Ledger in an amount up to the Required Coupon Amount for the next following Relevant Payment Date(s) subject to and in accordance with the Pre-Acceleration Revenue Priority of Payments.

Within 1 London Business Day of receipt of a Cash Capital Contribution from the Society under paragraphs (b) or (c) above; or (where either (x) there is no Required Coupon Amount Shortfall or (y) receipt of a Cash Capital Contribution from the Society occurs prior to the Relevant Payment Date in question) each Relevant Payment Date on which a Cash Manager Relevant Event has occurred and is continuing, the LLP will deliver an irrevocable payment instruction (which such instruction may, for the avoidance of doubt, be given using the internet banking system of the Account Bank or the Stand-by GIC Provider, as applicable), instructing the Account Bank or, as applicable, the Stand-by GIC Provider, to (a), in the case of a Term Advance where no Covered Bond Swap is in place, no later than 2.00p.m. (local time in the relevant financial centre of the payment or, in the case of a payment in euro, London time), on each date on which any payment of interest in respect of such Term Advance becomes due under the terms of the Intercompany Loan Agreement, make a payment from the GIC Account or the Stand-by GIC Account, as applicable, in an amount equal to the Required Coupon Amount for such Term Advance on the relevant Interest Payment Date to an account specified by the Principal Paying Agent to the Issuer and the LLP from time to time; and/or (b) in the case of a Term Advance where a Covered Bond Swap is in place, on each date on which any payment is due under the relevant Covered Bond Swap(s) (other than any termination payment under the relevant Covered Bond Swap Agreement and any payment in respect of principal), make a payment from the GIC Account or, as applicable, the Stand-by GIC Account in an amount equal to the Required Coupon Amount for such Covered Bond Swap(s) on the relevant payment date under the Covered Bond Swap in accordance with the terms of the relevant Covered Bond Swap Agreement.

Required Coupon Amount means in respect of a Term Advance, 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 Accumulated Series of Covered Bonds), interest due, from the LLP on the Term Advance on the next 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 Interest Payment date, and such estimate to be calculated on the basis of an issued interest rate for the relevant Interest Period equal to the sum of (x) the SONIA Spot Rate published for the London Business Date immediately preceding the date on which the relevant Cash Capital Contribution is required to be made, compounded daily over the Interest Period and (y), 0.10 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 the Covered Bond Swap(s) on the next payment date (other than those amounts due in respect of principal) 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 amount due from the LLP under the Covered Bond Swap Agreement on the Relevant Payment Date, and 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 for the London Business Date immediately preceding the date on which the relevant Cash Capital Contribution is required to be made, compounded daily over the Covered Bond Swap Observation Period and (y), 0.10 per cent; and (iii) (in the case of a Term Advance relating to an Accumulation Series of Covered Bonds), the LLP Monthly Interest Amount Payable by the LLP on that relevant Term Advance for the relevant LLP Payment Date.

Required Coupon Amount Shortfall means, in respect of each Term Advance on any LLP Payment Date, taking into account any amount to be credited to the Coupon Payment Ledger on the same date in respect of any other Term Advance, the amount by which the Required Coupon Amount exceeds the sum of:

(a) the amount of Available Revenue Receipts remaining following payment in full of the amounts referred to in paragraphs (a) to (d) inclusive of the Pre-Acceleration Revenue Priority of Payments; and

(b) the amount then standing to the credit of the Coupon Payment Ledger in relation to that Term Advance.

The Designated Members will not make any Capital Contributions to the LLP.

Capital Contributions or returns on Capital Contributions shall be paid to Members only after the LLP has paid or, as applicable, provided for all higher ranking amounts in the relevant Priority of Payments.

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 thereof.

Asset Coverage Test

Under the terms of the LLP Deed, the LLP and the Seller 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 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 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 Seller will use all reasonable endeavours to sell sufficient further 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 Loans and their 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 (subject to the Bond Trustee having actual knowledge or express notice of the breach) and the LLP or the Issuer 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 (subject to the Bond Trustee having actual knowledge or express notice of the same) 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):

(a) the LLP will be required to sell Selected Loans (as described further under "*LLP Deed – Sale of Selected Loans and their Related Security following service of an Asset Coverage Test Breach Notice*");

(b) 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

(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 occurrence of an Issuer Event of Default, the Issuer 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 for the last day of the immediately preceding Calculation Period as follows:

$$A + B + C + D - (Y + Z)$$

where,

A = the lower of (i) and (ii) where:

(i) = the sum of the **Adjusted True Balance** of each Loan in the Portfolio, which shall be, in relation to each Loan, the lower of: (1) the True Balance of that Loan on the last day of the immediately preceding Calculation Period; and (2) the Indexed Valuation relating to that Loan multiplied by M (where for all Loans that are less than three months in arrears or not in arrears, M = 0.75; for all Loans that are three months or more in arrears and have a True Balance to Indexed Valuation ratio of less than or equal to 75 per cent., M = 0.40 and for all Loans that are three months or more in arrears and have a True Balance to Indexed Valuation ratio of more than 75 per cent., M = 0.25),

minus

the aggregate sum of the following deemed reductions to the aggregate Adjusted True Balance of the Loans in the Portfolio if any of the following occurred:

(1) a Loan or its Related Security was, in the immediately preceding Calculation Period, in breach of the Representations and Warranties contained in the Mortgage Sale Agreement or subject to any other obligation of the Seller to repurchase the relevant Loan and its Related Security and, in each case, the Seller has not repurchased the relevant Loan or Loans and its or their Related Security to the extent required by the terms of the Mortgage Sale Agreement. In this event, the aggregate Adjusted True Balance of the Loans in the Portfolio (as calculated in respect of the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the

Adjusted True Balance of the relevant Loan or Loans (as calculated in respect of the last day of the immediately preceding Calculation Period); and/or

(2) the Seller, in any preceding Calculation Period, was in breach of any other material warranty under the Mortgage Sale Agreement and/or the Servicer was, in any preceding Calculation Period, in breach of any material term of the Servicing Deed. In this event, the aggregate Adjusted True Balance of the Loans in the Portfolio (as calculated in respect of 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 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); and

(ii) = the sum of the **Arrears Adjusted True Balance** of each Loan in the Portfolio which shall be, in relation to each Loan, the lower of: (1) the True Balance of that Loan on the last day of the immediately preceding Calculation Period; and (2) the Indexed Valuation relating to that Loan multiplied by N (where for all Loans that are less than three months in arrears or not in arrears, N = 1, for all Loans that are three months or more in arrears and have a True Balance to Indexed Valuation ratio of less than or equal to 75 per cent., N = 0.40 and for all Loans that are three months or more in arrears and have a True Balance to Indexed Valuation ratio of more than 75 per cent., N = 0.25);

minus

the aggregate sum of the following deemed reductions to the aggregate Arrears Adjusted True Balance of the Loans in the Portfolio if any of the following occurred:

(1) a Loan or its Related Security was, in the immediately preceding Calculation Period, in breach of the Representations and Warranties contained in the Mortgage Sale Agreement or subject to any other obligation of the Seller to repurchase the relevant Loan and its Related Security and, in each case, the Seller has not repurchased the relevant Loan or Loans and its or their Related Security to the extent required by the terms of the Mortgage Sale Agreement. In this event, the aggregate Arrears Adjusted True Balance of the Loans in the Portfolio (as calculated in respect of the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the Arrears Adjusted True Balance of the relevant Loan or Loans (as calculated in respect of the last day of the immediately preceding Calculation Period); and/or

(2) the Seller, in any preceding Calculation Period, was in breach of any other material warranty under the Mortgage Sale Agreement and/or the Servicer was, in any preceding Calculation Period, in breach of any material term of the Servicing Deed. In this event, the aggregate Arrears Adjusted True Balance of the Loans in the Portfolio (as calculated in respect of 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 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),

the result of the calculation in this paragraph (ii) above being multiplied by the Asset Percentage (as defined below);

B = the aggregate amount of Principal Receipts on the Loans in the Portfolio during the immediately preceding Calculation Period (as recorded in the Principal Ledger) which have not been applied as at the relevant Calculation Date by on or behalf of the LLP to acquire further Loans and their Related Security or otherwise applied in accordance with the terms of 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 Ledgers of each Member) or the proceeds of any Term Advances which have not been applied as at the relevant Calculation Date by or on behalf of the LLP to acquire further Loans and their Related Security or otherwise applied in accordance with the terms of the LLP Deed and/or the other Transaction Documents and shall not, for the avoidance of doubt, include any Cash Capital Contributions made to fund the Coupon Payment Ledger or to fund the Reserve Funds up to, as applicable, the Reserve Fund Required Amount or the LBS Reserve Fund Required Amount;

D = the aggregate outstanding principal balance of any Substitution Assets;

Y = an amount equal to the aggregate Deposit Set Off Amount for each Borrower whose Loan is included in the Portfolio;

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 multiplied by the Negative Carry Factor, where the **Negative Carry Factor** is: (i) 0.5 per cent. if the weighted average margin of the interest rate payable on the Covered Bonds is less or equal to 0.1 per cent. per annum; or (ii) 0.5 per cent. plus that margin minus 0.1 per cent., if that margin is greater than 0.1 per cent. per annum (provided that if the weighted average remaining maturity of all Covered Bonds then outstanding is less than one, the weighted average remaining maturity shall be deemed, for the purposes of this calculation, to be one).

Asset Percentage means, save where otherwise agreed:

(a) 93.5 per cent.; or

(b) such lesser percentage figure as determined from time to time in accordance with the terms of the LLP Deed, being the percentage figure that is necessary to ensure that the Covered Bonds maintain the then current ratings assigned to them by Fitch; and

(c) such lesser percentage figure as determined from time to time in accordance with the terms of the LLP Deed being the figure as selected by the LLP (or the Cash Manager acting on its behalf) and notified to Moody's and the Security Trustee on such Calculation Date the percentage figure 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, as applicable, being the percentage figure that is necessary to ensure that the Covered Bonds achieve a Aaa rating by Moody's using Moody's expected loss methodology (regardless of the actual Moody's rating of the Covered Bonds at the time).

Deposit Set Off Amount means, for each Borrower whose Loan is included in the Portfolio, the lesser of: (a) 100 per cent. of the aggregate balance of each savings account held at the Seller by such Borrower (whether such savings account is a joint account or not and whether such other joint savings account holder is a Borrower under a Loan in the Portfolio or not and to avoid double counting, such savings balance shall only be included in the calculation once); and (b) the aggregate True Balance of such Borrower's Loan which is included in the Portfolio, in each case as calculated on any day after the last day of the immediately preceding Calculation Period but prior to the Calculation Date.

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 to ensure that the Covered Bonds achieve a Aaa rating by Moody's using Moody's expected loss methodology.

Save where otherwise agreed with the Rating Agencies, the Asset Percentage will be adjusted in accordance with the various methodologies to ensure that sufficient credit enhancement will be maintained. Notwithstanding the above, the Asset Percentage may not, at any time, exceed 93.5 per cent. unless otherwise agreed with the Rating Agencies.

There is no obligation on the LLP to ensure that a Aaa rating is maintained by Moody's and the LLP is under no obligation to change the figure selected by it and notified to Moody's and the Security Trustee in line with the level of credit enhancement required to ensure a Aaa rating by Moody's using Moody's expected loss methodology.

Amortisation Test

The LLP and the Seller must ensure 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 calculated on the relevant Calculation Date.

If on any Calculation Date following service of Notice to Pay on the LLP, the Amortisation Test Aggregate Loan Amount is less than the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds 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, as the case may be, 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 True Balance** of each Loan, which shall be the lower of: (1) the True Balance of that Loan on the last day of the immediately preceding Calculation Period multiplied by M; and (2) 100 per cent. of the Indexed Valuation relating to that Loan multiplied by M,

where for all of the Loans that are less than three months in arrears or not in arrears M = 1 and for all of the Loans that are three months or more in arrears M = 0.7;

B = the sum of the amount of any cash standing to the credit of the LLP Accounts and the principal amount of any Authorised Investments (excluding any Revenue Receipts received in the immediately preceding Calculation Period);

C = the aggregate outstanding principal balance of any Substitution Assets;

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 ***multiplied by*** the Negative Carry Factor.

Sale of Selected Loans and their Related Security following service of an Asset Coverage Test Breach Notice

After service of an Asset Coverage Test Breach Notice (which has not been revoked) or the service of a Notice to Pay and prior to service of an LLP Acceleration Notice, the LLP will be obliged to sell Selected Loans and their Related Security in the 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 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 GIC Account or the Stand-by GIC Account, as applicable, and applied as set out in the Priorities of Payments (see "*Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of an Asset Coverage Test Breach Notice*" below).

Sale of Selected 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 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 Loans and their Related Security in the 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 Loans and their Related Security pursuant to the Mortgage Sale Agreement. The proceeds from any such sale or refinancing will be credited to the GIC Account or the Stand-by GIC Account, as applicable, and applied as set out in the Guarantee Priority of Payments.

Method of Sale of Selected Loans

If the LLP is required to sell Selected Loans and their Related Security to Purchasers following either the service of an Asset Coverage Test Breach Notice (if not revoked) or a Notice to Pay, the LLP will be required to ensure that before offering Selected Loans for sale:

(a) the Selected Loans have been selected from the Portfolio on a random basis as described in the LLP Deed; and

(b) the Selected Loans have an aggregate True Balance in an amount (the **Required True Balance Amount**) which is as close as possible to the amount calculated as follows:

(1) 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 Loans were sold at their True Balance, the Asset Coverage Test would be satisfied on the next Calculation Date taking into account the payment obligations of the LLP on the Payment Date immediately following that Calculation Date (assuming for this purpose that the Asset Coverage Test Breach Notice is not revoked on the next Calculation Date); or

(2) following service of a Notice to Pay:

$$N \times \frac{\text{True Balance of all the Loans in the Portfolio}}{\text{the Sterling Equivalent of the Required Redemption Amount in respect of each Series of Covered Bonds then outstanding}}$$

where "N" is an amount equal to the Sterling Equivalent of the Required Redemption Amount of the Earliest Maturing Covered Bonds less amounts standing to the credit of the LLP Accounts and the principal amount of any Authorised Investments (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).

For the avoidance of doubt, the entire Portfolio may comprise Selected Loans.

The LLP will offer the Selected 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 True Balance of the Selected Loans; 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 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) if the Earliest Maturing Covered Bonds are not subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee, the Final Maturity Date in respect of the Earliest Maturing Covered Bonds; or (b) if the Earliest Maturing 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 Earliest Maturing Covered Bonds (after taking into account all payments, provisions and credits to be made in priority thereto), then the LLP will offer the Selected 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 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 Loans, in accordance with the provisions summarised above, in respect of other Series of Covered Bonds, provided that any such sale of Selected Loans is for an amount not less than the Adjusted Required Redemption Amount in respect of that Series of Covered Bonds or, where the sale occurs within six months of the Final Maturity Date or Extended Due Date for Payment (as applicable) for that Series of Covered Bonds, the best price reasonably available in accordance with Clause 19.4 of the LLP Deed.

The LLP is also permitted to offer for sale to Purchasers a Partial Portfolio. Except in circumstances where the portfolio of Selected Loans is being sold within six months of, as applicable, the Final Maturity Date or, as applicable, 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 Portfolio (as a proportion of the Adjusted Required Redemption Amount) shall be at least equal to the proportion that the Partial Portfolio bears to the relevant portfolio of Selected Loans.

The LLP will through a tender process appoint a portfolio manager of recognised standing approved by the Security Trustee (the **Portfolio Manager**) on a basis intended to incentivise the Portfolio Manager to achieve the best price for the sale of the Selected Loans (on terms that are commercially available in the market) to advise it in relation to the sale of the Selected Loans in accordance with the LLP Deed to Purchasers (except where the Seller is buying the Selected Loans in accordance with their right of pre-emption in the Mortgage Sale Agreement). The terms of the agreement giving effect to the appointment of the Portfolio Manager shall be approved by the Security Trustee. The Security Trustee shall approve the agreement giving effect to the appointment and the appointment of the Portfolio Manager if (i) the Portfolio Manager is an investment bank or accountant of recognised standing and (ii) two Authorised Signatories of the LLP have certified to the Security Trustee that such appointment is on a basis intended to incentivise the Portfolio Manager to achieve the best price for the sale of the Selected Loans (on terms that are commercially available in the market), which certificate shall be conclusive and binding on all parties.

In respect of any sale or refinancing of Selected Loans and their Related Security following service of an Asset Coverage Test Breach Notice (if not revoked) or a Notice to Pay, the LLP will instruct the Portfolio Manager to use all reasonable endeavours to procure that Selected Loans are sold as quickly as reasonably practicable and in accordance with its recommendations of the Portfolio Manager (which shall take 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 or refinancing of Selected Loans and their Related Security (the **Sale and Purchase Agreement**) will be in such form as is approved by the Security Trustee, such approval shall be given if the Security Trustee has provided its consent to the appointment of the Portfolio Manager in accordance with Clause 19.7 of the LLP Deed and the LLP certifies to the Security Trustee that:

(a) such agreement gives effect to the recommendations of the Portfolio Manager (which take into account the market conditions at that time and the scheduled repayment dates of the Covered Bonds and the terms of the LLP Deed);

(b) such agreement provides for sale of Selected Loans which have been selected from the Portfolio on a Random Basis;

(c) the purchase price for the Selected Loans subject of such agreement is (in the circumstances where an Asset Coverage Test Breach Notice (but not a Notice to Pay) has been served) for an amount not less than the True Balance of the Selected Loans and (in the circumstances where a Notice to Pay has been served) for an amount not less than the Adjusted Required Redemption Amount or (in the circumstances contemplated by Clause 19.4 of the LLP Deed) for the best price reasonably available notwithstanding that such amount may be less than the Adjusted Required Redemption Amount;

(d) such agreement is on terms that are consistent with the Mortgage Conditions and, in particular, the interest rate setting provisions;

(e) such agreement does not include any warranties or indemnities of the LLP other than as permitted under Clause 19.10 of the LLP Deed; and

(f) such agreement includes provisions substantially in the following form of paragraphs (a) and (b) below:

"(a) Notwithstanding any other provision of the Sale and Purchase Agreement, the Purchaser agrees with and acknowledges to the LLP that:

(i) the Purchaser may not institute or join with any person in bringing, instituting or joining any insolvency or bankruptcy proceedings of any kind in relation to the LLP or take any steps against the LLP for the purpose of obtaining payment of any amount due from the LLP to the Purchaser; and

(ii) the Purchaser shall not be entitled to take or join in the taking of any corporate action, legal proceedings or other procedure or step which would result in the terms of any other agreements which the LLP has entered into not being complied with.

(b) The Purchaser acknowledges and agrees that it will only be entitled to receive payments from the LLP in accordance with the deed of charge dated 2 October 2008 and made between, *inter alios*, the LLP and Deutsche Trustee Company Limited."

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 Loans 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 warranties or indemnities from the LLP in respect of the Loans and the Related Security unless expressly agreed by the Security Trustee and unless otherwise agreed with the Seller.

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, charge, 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 Bond 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 to the extent permitted by or provided for in the Transaction Documents or with the prior written consent of the Security Trustee (which may only be given (so long as any Covered Bonds are outstanding) if the Security Trustee is so instructed by the Bond Trustee pursuant to the Deed of Charge or where no Covered Bonds are outstanding by all other Secured Creditors):

(a) create or permit to subsist any security interest over the whole or any part of its assets or undertakings, present or future (unless arising by operation of law);

(b) transfer, sell, lend, part with or otherwise dispose of, deal with or grant any option or present or future right to acquire any of its assets or undertakings or any interest therein or thereto;

(c) have an interest in a bank account other than as set out in the Transaction Documents;

(d) incur any indebtedness or give any guarantee or indemnity in respect of any such indebtedness;

(e) consolidate or merge with or transfer its properties or assets substantially as an entirety to any other person;

(f) have any employees, premises or subsidiaries;

(g) acquire assets other than pursuant to the Mortgage Sale Agreement, the Cash Management Agreement and the LLP Deed;

(h) 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;

(i) establish any "establishment" as that term is used in Article 2(h) of the EU Insolvency Regulation;

(j) enter into any contracts, agreements or other undertakings;

(k) compromise, compound or release any debt due to it;

(l) commence, defend, settle or compromise any litigation or other claims relating to it or any of its assets; and

(m) be a member of any VAT Group.

The LLP and each of the Members further covenants that it will:

(i) 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;

(ii) ensure that the 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;

(iii) 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; and

(iv) at all times comply with its obligations under the RCB Regulations and/or the RCB Sourcebook.

Covenants of the Seller

The Seller covenants and undertakes for the benefit of the LLP, the Members and the Security Trustee that, until such time as the Security created pursuant to the Deed of Charge is released the Seller shall not directly or indirectly:

(n) hold a majority of the voting rights in the LLP;

(o) have the right to appoint or remove a majority of other Members to the LLP and/or members of the Management Committee; and

(p) alone or pursuant to an agreement with any other Member(s) control the majority of the voting rights in the LLP.

The Seller undertakes and covenants to the Members, the LLP and the Security Trustee that it shall not act in a manner which causes or otherwise results in the LLP becoming or being a Subsidiary of the Seller.

Limit on Investing in Substitution Assets

Prior to the service of an Asset Coverage Test Breach Notice on the LLP (if not 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 15 per cent. of the total assets of the LLP at any one time 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 (if not 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 GIC Account or the Stand-by GIC 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.

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, comprised as at the date of this Prospectus of a director of the Society, the two corporate directors of the First Designated Member and the two corporate directors of the Second Designated 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 LLP 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 Bond Trustee.

For so long as any Covered Bonds are outstanding, each Member has agreed that it will not dissolve or purport to dissolve 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 the Seller, any decisions of the LLP that are reserved to the Members in the LLP Deed shall be made by the Designated Members only.

The LLP Deed is governed by English law.

Cash Management Agreement

The Cash Manager will provide certain cash management services to the LLP pursuant to the terms of the Cash Management Agreement entered into on the Programme Date and as amended and restated on 15 December 2011, on 27 December 2012, on 9 December 2013, 27 November 2015, 30 August 2016 and 15 December 2020 between the LLP, the Society in its capacity as the Cash Manager and the Security Trustee.

The Cash Manager's services include but are not limited to:

(a) operating the LLP Accounts;

(b) maintaining the Ledgers on behalf of the LLP;

(c) maintaining records of all Authorised Investments and/or Substitution Assets, as applicable;

(d) distributing the Revenue Receipts and the Principal Receipts in accordance with the Priorities of Payments described under Cashflows, below;

(e) 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";

(f) 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;

(g) providing the relevant UK regulatory authority 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 relevant UK regulatory authority in accordance with the RCB Regulations;

(h) 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;

(i) preparation of Investor Reports for the Covered Bondholders, the Rating Agencies and the Bond Trustee;

(j) if required, establish and maintain on behalf of the LLP one or more cash collateral accounts in the event that Swap Collateral (a **Cash Collateral Account**) is required to be posted by any Swap Provider in respect of any Swap Agreement and such Swap Provider elects to post collateral in the form of cash;

(k) if requested by the LLP and/or the Security Trustee, establish accounts to facilitate the posting of collateral (the **Swap Collateral Account**) under the relevant Covered Bond Swap Agreement; and

(l) if required by the LLP to deposit any Substitution Assets or Authorised Investments acquired by the LLP the Securities Account or the Cash Accounts (as further described below) pursuant to the Custody Agreement.

In relation to an Accumulation Series of Covered Bonds, 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 a 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, with the consent of the Security Trustee, will 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).

The Cash Management Agreement is governed by English law.

Back-up Cash Management Agreement

The Cash Manager undertakes that, on the Cash Manager ceasing to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa1, it will use reasonable efforts to appoint a back-up cash manager facilitator acceptable to the LLP within 60 days of the Cash Manager ceasing to be assigned such ratings. The back-up cash manager facilitator will assist in the arrangement of the back-up cash management agreement described in below.

If the Cash Manager ceases to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa3 or by Fitch of at least BBB-, it will, with the back-up cash manager facilitator appointed pursuant to the preceding paragraph, use reasonable efforts to enter into a back-up cash management agreement in form and substance satisfactory 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 ratings. The Cash Manager, shall on behalf of the LLP, make a draft of the back-up cash management agreement available to the Rating Agencies prior to its execution.

Interest Rate Swap Agreement

Some of the Loans in the 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 Bank of England base rate. Other Loans pay a fixed rate of interest for a period of time. However, the Sterling payments to be made by the LLP under the Covered Bond Swaps or on Covered Bonds or Term Advances if there is no Covered Bond Swap are based on a compounded daily SONIA rate. To provide a hedge against the possible variance between:

(a) the rates of interest payable on the Loans in the Portfolio; and

(b) a compounded daily SONIA rate,

the LLP and the Interest Rate Swap Provider have entered into the Interest Rate Swap Agreement on the Programme Date.

The Interest Rate Swap will terminate on the date on which the Loan Balance is reduced to zero (in the absence of an Interest Rate Swap Early Termination Event or an Interest Rate Swap Rating Termination Event (as defined below)).

In the event that the relevant ratings of the Interest Rate Swap Provider, or any guarantor, as applicable, is or are, as applicable, downgraded by a Rating Agency below the ratings specified in the Interest Rate Swap Agreement (in accordance with the requirements of the Rating Agencies) for the Interest Rate 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 Interest Rate Swap Provider will be required to take certain remedial measures which may include providing collateral for its obligations, arranging for its obligations to be transferred to an entity with ratings required by the relevant Rating Agency, procuring another entity with rating(s) required by the relevant Rating Agency to become co-obligor or guarantor in respect of its obligations, and/or taking such other action as it may agree with the relevant Rating Agency. A failure to take such steps will allow the LLP to terminate the Interest Rate Swap Agreement (an **Interest Rate Swap Rating Termination Event**).

The Interest Rate Swap Agreement may also be terminated in certain other circumstances (each referred to as an **Interest Rate Swap Early Termination Event**), including:

- at the option of any party to the Interest Rate Swap Agreement, if there is a failure by the other party to pay any amounts due under the Interest Rate Swap Agreement (for the avoidance of doubt, no such failure to pay by the LLP will entitle the Interest Rate Swap Provider to terminate the Interest Rate 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);

- 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

- at the option of the Interest Rate Swap Provider if it becomes obliged to receive payments net of any withholding or is obliged to gross-up any payments it makes under the Interest Rate Swap Agreement;

- upon a change in law which results in the illegality of the obligations to be performed by either party under the Interest Rate Swap Agreement;

- if any of the Additional Tax Representation (as defined in Part 2(b) of the Interest Rate Swap Agreement) proves to have been incorrect or misleading in any material respect with respect to one or more Transactions when made or repeated or deemed to have been made or repeated;

- if any of the Priorities of Payments is amended such that the LLP's obligations to the Interest Rate Swap Provider become further contractually subordinated to the LLP's obligations to any other Secured Creditor; or

- upon service by the Bond Trustee of an LLP Acceleration Notice on the LLP.

Upon the termination of the Interest Rate Swap Agreement pursuant to an Interest Rate Swap Early Termination Event or an Interest Rate Swap Rating 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 or amounts payable to the LLP in respect of Tax Credits 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 Loans in the 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:

(a) the Interest Rate Swap in respect of such Loans will be amended so that, with effect from the date of the relevant sale, the outstanding principal balance of the relevant Loan shall be excluded from the definition of Loan Balance, a mark-to-market close-out payment shall be made by the LLP or the Interest Rate Swap Provider, as appropriate and such amount will be taken into account in calculating the Adjusted Required Redemption Amount for the sale of the Selected Loans; or

(b) such Interest Rate Swap will be partially novated to the purchaser of such 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 Agreement, the LLP's obligations are limited in recourse to the Charged Property available for distribution to the Interest Rate Swap Provider under the Priorities of Payments. To the extent that the LLP is unable to make any payment in full under any Interest Rate Swap due to its assets being insufficient to make such payment in full, the relevant Interest Rate Swap Provider's payment obligations will rateably reduce.

If the LLP (or a Member) receives any Tax Credits in respect of an Interest Rate Swap prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice, payments in respect of such Tax Credits will be used, to the extent provided for in the Interest Rate Swap Agreement, to reimburse the Interest Rate Swap Provider for any gross-up in respect of any withholding or deduction made under the Interest Rate Swap Agreement. Prior to the occurrence of an LLP Event of Default and the service of an LLP Acceleration Notice, any Swap Collateral Excluded Amounts in respect of the Interest Rate Swap will be returned to the Interest Rate Swap Provider subject to the terms of the Interest Rate Swap Agreement.

The Interest Rate Swap Agreement is governed by English law.

Covered Bond Swap Agreements

The LLP will 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 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).

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. Under Covered Bond Swaps which hedge foreign currency risk on the relevant Issue Date, the LLP will pay to the 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 the date specified in the relevant Covered Bond Swap Agreement 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 (where applicable) 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 6(a) of the Terms and 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 9(b), 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 (in the absence of a Covered Bond Swap Early Termination Event or a Covered Bond Swap Rating Termination Event (as defined below)) on the earlier of:

(a) 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); and

(b) 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 9(b).

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 (in accordance with the requirements of the Rating Agencies) 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 required by the relevant Rating Agency,

procuring another entity with the ratings required by the relevant Rating Agency to become co-obligor in respect of its obligations under the Covered Bond Swap Agreement, or taking such other action as it may agree with the relevant Rating Agency. 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 Rating Termination Event**).

A Covered Bond Swap Agreement may also be terminated in certain other circumstances (each referred to as a **Covered Bond Swap Early Termination Event**), which may include one or more of the following:

- 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);

- 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;

- at the option of the Covered Bond Swap Provider if it becomes obliged to receive payments net of any withholding or is obliged to gross-up any payments it makes under the Covered Bond Swap Agreements;

- at the option of either party upon a change in law which results in the illegality of the obligations to be performed by either party under the Covered Bond Swap Agreements;

- upon the redemption and/or cancellation of any series of Covered Bonds in whole or part in accordance with the Conditions;

- if any of the Additional Tax Representation (as defined in Part 2(b) of the Covered Bond Swap Agreement) prove to have been incorrect or misleading in any material respect with respect to one or more Transactions when made or repeated or deemed to have been made or repeated and at least one entity (with the required ratings as specified in the relevant Covered Bond Swap Agreement) has made a firm offer which would remain capable of becoming legally binding upon acceptance (in accordance with the relevant Covered Bond Swap Agreement);

- if any of the Priorities of Payments is amended such that the LLP's obligations to the Covered Bond Swap Provider become further contractually subordinated to the LLP's obligations to any other Secured Creditor; or

- upon service by the Bond Trustee of an LLP Acceleration Notice on the LLP.

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 the currency specified in the relevant schedule to the Covered Bond Swap Agreement.

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.

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.

If the LLP (or a Member) receives any Tax Credits in respect of a Covered Bond Swap prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice, payments in respect of such Tax Credits will be used, to the extent provided for in the relevant Covered Bond Swap Agreement, to reimburse the relevant Covered Bond Swap Provider for any gross-up in respect of any withholding or deduction made under the relevant Covered Bond Swap. Prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice, any Swap Collateral Excluded Amounts in respect of a Covered Bond Swap will be returned to the relevant Covered Bond Swap Provider subject to the terms of the relevant Covered Bond Swap Agreement.

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 Adjustment Required Redemption Amount for the Sale of Selected Loans; and

(ii) the purchase price to be paid for the relevant Covered Bonds purchased by the LLP in accordance with Condition 6(f).

Under each Covered Bond Swap Agreement, the LLP's obligations are limited in recourse to the Charged Property available for distribution to the Covered Bond Swap Provider under the Priorities of Payments. 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 will be governed by English law.

Bank Account Agreement

Pursuant to the terms of the Bank Account Agreement entered into on the Programme Date, as amended and restated on or about 15 December 2011 and 27 November 2015 between the LLP, the Account Bank, the Cash Manager and the Security Trustee, the LLP will maintain with the Account Bank the accounts described below, which will be operated in accordance with the Cash Management Agreement, the LLP Deed and the Deed of Charge:

(a) the GIC Account into which amounts may be deposited by the LLP (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 Loans in

the Portfolio). On each LLP Payment Date as applicable, amounts required to meet the LLP's various creditors and amounts to be distributed to the Members under the LLP Deed will be transferred to the Transaction Account (to the extent maintained);

(b) the Transaction Account (to the extent maintained) into which amounts may be deposited by the LLP prior to their transfer to the GIC Account. Monies standing to the credit of the GIC Account will be transferred to the Transaction Account on each LLP Payment Date and applied by the Cash Manager in accordance with the Priorities of Payments described below under "Cashflows"; and

(c) The LBS Reserve Fund Account, into which amounts may be deposited by the LLP equal to the LBS Reserve Fund Required Amount. On each LLP Payment Date as applicable, amounts required to meet the LLP's various creditors and amounts to be distributed to the Members under the LLP Deed will be transferred to the Transaction Account or, as applicable, the Stand-by Transaction Accounts (to the extent maintained) or (if the Transaction Account or Stand-by Transaction Accounts are not maintained) to the GIC Account or, as applicable, the Stand-by GIC Account. Upon the short-term, unsecured, unsubordinated and unguaranteed debt obligation rating of the Society ceasing to be at least F1 (or the long-term unsecured, unsubordinated and unguaranteed debt obligation rating of the Society ceasing to be at least A) by Fitch, amounts standing to the credit of the LBS Reserve Fund Account will be transferred to the GIC Account or, as applicable, the Stand-by GIC Account.

If the short-term, unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank cease to be rated at least P-1 by Moody's or F1 by Fitch (or the long term unsecured, unsubordinated and unguaranteed debt obligations cease to be rated at least A by Fitch) then either:

- the GIC Account and the Transaction Account (to the extent maintained) will be closed and all amounts standing to the credit thereof shall be transferred to accounts held with a bank whose short-term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least P-1 by Moody's and F1 (and whose long term unsecured, unsubordinated and unguaranteed debt obligations are rated at least A) by Fitch; or

- the Account Bank will obtain an unconditional and unlimited guarantee of its obligations under the Bank Account Agreement from a financial institution whose short-term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least P-1 by Moody's and F1 (and whose long term unsecured, unsubordinated and unguaranteed debt obligations are rated at least A) by Fitch.

The Bank Account Agreement is governed by English law.

Stand-by Transaction Account Agreement

On 15 December 2011, the LLP, Barclays Bank PLC (in its capacity as the **Stand-by Transaction Account Bank**), the Society (in its capacities as the Cash Manager and the Seller) and the Security Trustee entered into a stand-by transaction account agreement which was amended and restated on or about 27 November 2015 and on 30 August 2016 (the **Stand-by Transaction Account Agreement**).

In December 2011, as a result of the Account Bank no longer maintaining the Account Bank Required Ratings, the appointment of the Account Bank was terminated and the Transaction Account was closed. Pursuant to the terms of the Stand-by Transaction Account Agreement the LLP simultaneously opened a Sterling denominated stand-by transaction account with the Stand-by Transaction Account Bank (in the name of the LLP) (the **Sterling Stand-by Transaction Account**).

In order to allow the LLP to accept amounts denominated in euro, the LLP opened a euro denominated stand-by transaction account with the Stand-by Transaction Account Bank (the **Euro Stand-by Transaction Account** and together with the Sterling Stand-by Transaction Account, the **Stand-by Transaction Accounts**). The Stand-by Transaction Accounts are operated in accordance with the Stand-by Transaction Account Agreement, the Cash Management Agreement, the LLP Deed and the Deed of Charge.

On 30 August 2016, the Stand-by Transaction Account Bank confirmed that a cash collateral account (the **Barclays Cash Collateral Account**) has been opened with the Stand-by Transaction Account Bank and will operate under the conditions of the Stand-by Transaction Account Agreement.

If the short-term, unsecured, unsubordinated and unguaranteed debt obligations ratings of the Stand-by Transaction Account Bank fall below P-1 by Moody's or F1 by Fitch (or the long term unsecured, unsubordinated and unguaranteed debt obligations of the Stand-by Transaction Account Bank cease to be rated at least A by Fitch), pursuant to the Stand-by Transaction Account Agreement, the Stand-by Transaction Account Bank will, either be replaced by, or have its obligations guaranteed by, a satisfactorily rated financial institution.

References in this Prospectus to the Transaction Account shall include, unless otherwise stated, references to the Sterling Stand-by Transaction Account and the Euro Stand-by Transaction Account.

The Stand-by Transaction Account Agreement is governed by English law.

Stand-by Guaranteed Investment Contract

On 2 October 2008, the LLP, Barclays Bank PLC (in its capacity as the **Stand-by GIC Provider**), the Society (in its capacities as the Cash Manager and the Seller) and the Security Trustee entered into a stand-by guaranteed investment contract which was amended and restated on 15 December 2011 and further amended and restated on or about 27 November 2015 (the **Stand-by Guaranteed Investment Contract**).

In December 2011, as a result of the Account Bank no longer maintaining the Account Bank Required Ratings, the appointment of the Account Bank was terminated and the GIC Account was closed. Pursuant to the terms of the Stand-by Guaranteed Investment Contract the LLP simultaneously opened a stand-by guaranteed investment contract account with the Stand-by GIC Provider (in the name of the LLP) (the **Stand-by GIC Account**).

The Stand-by GIC Account is operated in accordance with the Stand-by Guaranteed Investment Contract, the Cash Management Agreement, the LLP Deed and the Deed of Charge. The Stand-by Guaranteed Investment Contract became operative on 15 December 2011 at which point the LLP transferred the GIC Account from the Account Bank to the Stand-by GIC Provider.

If the short-term, unsecured, unsubordinated and unguaranteed debt obligations ratings of the Stand-by GIC Provider fall below P-1 by Moody's or F1 by Fitch (or the long term unsecured, unsubordinated and unguaranteed debt obligations of the Stand-by GIC Provider cease to be rated at least A by Fitch), pursuant to the Stand-by Guaranteed Investment Contract, the Stand-by GIC Provider will, either be replaced by, or have its obligations guaranteed by, a satisfactorily rated financial institution.

References in this Prospectus to the GIC Account include, unless otherwise stated, references to the Stand-by GIC Account.

The Stand-by Guaranteed Investment Contract is governed by, and shall be construed in accordance with English law.

Custody Agreement

On 30 August 2016, the LLP, The Bank of New York Mellon, acting through its London branch (in its capacity as the Securities Custodian), the Society (in its capacities as the Cash Manager and the Seller) and the Security Trustee entered into a custody agreement (the **Custody Agreement**).

The Securities Custodian will maintain a securities account (the **Securities Account**) and cash accounts (the **Cash Accounts**) to deposit any collateral in the form of securities and substitution assets (if purchased).

If the short-term, unsecured, unsubordinated and unguaranteed debt obligations ratings of the Securities Custodian fall below P1 by Moody's or F1 by Fitch (or the long term unsecured, unsubordinated and unguaranteed debt obligations of the Securities Custodian cease to be rated at least A3 by Moody's and A by Fitch), pursuant to the Custody Agreement, the Securities Custodian will be replaced by a satisfactorily rated financial institution.

The Custody Agreement is governed by English law.

Corporate Services Agreement

The Designated Members, the LLP and Holdings have entered into a Corporate Services Agreement with Intertrust Management Limited (formerly known as Structured Finance Management Limited) (as Corporate Services Provider) on the Programme Date, pursuant to which the Corporate Services Provider has agreed to provide corporate services to the First Designated Member, the Second Designated Member and Holdings respectively.

The Corporate Services Agreement is governed by, and shall be construed in accordance with English law.

Issuer-ICSDs Agreement

The Issuer has entered into an Issuer-ICSDs Agreement with Euroclear Bank S.A./N.V. and Clearstream Banking SA (the **ICSDs**) in respect of any Covered Bonds issued in NGCB form. The Issuer-ICSDs Agreement provides that the ICSDs will, in respect of any such NGCBs, maintain their respective portion of the issue outstanding amount through their records.

The Issuer-ICSDs Agreement is governed by English law.

Deed of Charge

Pursuant to the terms of the Deed of Charge entered into on the Programme Date as supplemented on 2 October 2009 by the LLP, the Security Trustee and the other Secured Creditors (as may be supplemented and amended from time to time), 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**):

(a) a first fixed charge (which may take effect as a floating charge) over the LLP's interest in the English Loans, Northern Irish Loans and their Related Security and other related rights comprised in the Portfolio;

(b) an assignment by way of first fixed charge over the rights of the LLP in and to the Insurance Policies;

(c) a first ranking assignation in security of the LLP's interest in the Scottish Loans and their Related Security (comprising the LLP's beneficial interest under the trusts declared by the Seller pursuant to the Scottish Declarations of Trust);

(d) 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 Agreement and Covered Bond Swap Agreement, after giving effect to all applicable netting provisions therein);

(e) 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;

(f) 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

(g) 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 and the assets and undertaking of the LLP located in Northern Ireland or governed by the law of Northern Ireland).

In respect of the property, rights and assets referred to in paragraph (c) above, fixed security has been and will be created over such property, rights and assets sold to the LLP on or after the Programme Date by means of Scottish Supplemental Charges entered into pursuant to the Deed of Charge.

Release of Security

In the event of any sale of Loans (including Selected Loans) and their Related Security by the LLP pursuant to and in accordance with the Transaction Documents, such Loans and their Related Security will be automatically released from the Security created by and pursuant to the Deed of Charge on the date of such sale.

In the event of the repurchase of a Loan and its Related Security by the Seller pursuant to and in accordance with the Transaction Documents, the Loan and its Related Security will be deemed automatically released from the Security created by and pursuant to the Deed of Charge on the date of the repurchase.

Enforcement

If an LLP Acceleration Notice is served on the LLP, the Security Trustee shall be entitled to appoint a Receiver, and/or enforce the Security constituted by the Deed of Charge (including selling the 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 (other than any Third Party Amount, Swap Collateral Excluded Amounts or amounts payable in respect of Tax Credits) 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*".

The Deed of Charge is governed by English law (other than each Scottish Supplemental Charge granted pursuant and supplemental to the Deed of Charge and certain other provisions relating to the property, rights and assets referred to in paragraph (c) above which are and will be governed by Scots

law and the first fixed charge over the Northern Irish Loans and their Related Security and the floating charge over the assets and undertaking of the LLP located in or governed by the law of Northern Ireland which are governed by Northern Irish law).

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 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:

- the Covered Bond Guarantee provides credit support to the Issuer;
- 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;
- 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;
- a Reserve Fund (unless the Society's short-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least P-1 by Moody's) will be established in the GIC Account to trap Available Revenue Receipts in an amount up to the Reserve Fund Required Amount;
- a LBS Reserve Fund (unless the Society's short-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least F1+ by Fitch) will be established in the LBS Reserve Fund Account to trap Available Revenue Receipts up to the LBS Reserve Fund Required Amount;
- under the terms of the Bank Account Agreement, the Account Bank has agreed to pay a variable rate of interest on all amounts held by the LLP in the GIC Account equal to the Bank of England base rate less 0.35 per cent. per annum, floored at zero, or such greater amount as the LLP and the GIC Provider may agree from time to time, provided that, for so long as it is possible to determine such a rate, the rate shall be no less than the higher of SONIA less 0.30 per cent. per annum or zero;
- under the terms of the Stand-by GIC Agreement, the Stand-by GIC Provider has agreed to pay a variable rate of interest on all amounts held by the LLP in the Stand-by GIC Account equal to the Bank of England base rate less 0.35 per cent. per annum, floored at zero, or such greater amount as the LLP and the Stand-by GIC Provider may agree from time to time, provided that, for so long as it is possible to determine such a rate, the rate shall be no less than the higher of SONIA less 0.30 per cent. per annum or zero; and
- the pre-funding of the Required Coupon Amount on each LLP Payment Date following a Cash Manager Relevant Event and the delivery of irrevocable payment instructions in advance of such amounts becoming due for payment will enhance the likelihood of timely payments to the Covered Bondholders.

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 Regulated Covered Bonds Regulations, as to which see further "*Description of the UK 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 9 (*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 while the Covered Bonds are outstanding. Under the LLP Deed, the LLP and the Seller (in its capacity as 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 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 (subject to the Bond Trustee having actual knowledge or express notice of such breach) the Bond Trustee will serve an Asset Coverage Test Breach Notice on the LLP. The Asset Coverage Test is a formula which adjusts the True Balance of each Loan in the 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 Defaulted Loans or Loans that do not materially comply with the Representations and 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 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 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 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 the Seller (in its capacity as 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 aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date. The Amortisation Test is a formula which adjusts the True Balance of each Loan in the Portfolio and has further adjustments to take account of Loans in arrears. See further "*Summary of the Principal Documents – LLP Deed –Amortisation Test*", above.

Reserve Fund

The LLP will need to (unless the Society's short-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least P-1 by Moody's) establish the Reserve Fund on the GIC Account or, as applicable, the Stand-by GIC Account which will be credited with 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.

The Reserve Fund will be 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 and *pari passu* with amounts to be credited to the LBS Reserve Fund.

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.

Interest Accumulation Ledger

In relation to each 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.

LBS Reserve Fund

The LLP will be required (unless the Society's short-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least F1+ by Fitch), to establish the LBS Reserve Fund on the LBS Reserve Fund Account, which will be credited with Available Revenue Receipts up to an amount equal to the LBS Reserve Fund Required Amount. The LLP will not be required to maintain the LBS Reserve Fund following the occurrence of an Issuer Event of Default.

The LBS Reserve Fund will be funded from Available Revenue Receipts after the LLP has paid all of its obligations in respect of items ranking higher than the LBS Reserve Ledger in the Pre-

Acceleration Revenue Priority of Payments on each LLP Payment Date, and *pari passu* with amounts to be credited to the Reserve Fund.

A LBS Reserve Ledger will be maintained by the Cash Manager to record the balance from time to time of the LBS Reserve Fund Account. Following the occurrence of an Issuer Event of Default and service of a Notice to Pay on the LLP, all amounts standing to the credit of the LBS Reserve Fund will be transferred to the GIC Account or, as applicable, the Stand-by GIC Account, and added to certain other income of the LLP in calculating Available Revenue Receipts.

Coupon Payment Ledger

If a Cash Manager Relevant Event occurs and is continuing, the Society in its capacity as a Member of the LLP will (a) within 10 London Business Days of the occurrence of the Cash Manager Relevant Event and, (b) thereafter, if a Required Coupon Amount Shortfall exists, within one London Business Day of receipt of notification of each Required Coupon Amount Shortfall make a Cash Capital Contribution to the LLP in an amount equal to the Required Coupon Amount or the Required Coupon Amount Shortfall, as the case may be.

While a Cash Manager Relevant Event is continuing (but prior to the service of a Notice to Pay or an LLP Acceleration Notice on the LLP) the LLP will, on each LLP Payment Date, fund the Coupon Payment Ledger in an amount up to the Required Coupon Amount.

Within 1 London Business Day of receipt of a Cash Capital Contribution from the Society, the LLP shall (or shall procure that the Cash Manager shall) credit the Coupon Payment Ledger of the GIC Account or, as applicable, the Stand-by GIC Account with an amount equal to such Cash Capital Contribution.

Within 1 London Business Day of receipt of a Cash Capital Contribution from the Society or, (where either (x) there is no Required Coupon Amount Shortfall; or (y) receipt of a Cash Capital Contribution from the Seller occurs prior to the Relevant Payment Date in question) each Relevant Payment Date on which a Cash Manager Relevant Event has occurred and is continuing, the LLP will deliver an irrevocable payment instruction (which such instruction may, for the avoidance of doubt, be given using the internet banking system of the Account Bank or the Stand-by GIC Provider, as applicable), instructing the Account Bank or, as applicable, the Stand-by GIC Provider to (a), in the case of a Term Advance where no Covered Bond Swap is in place, no later than 2:00p.m. (local time in the relevant financial centre of the payment or, in the case of a payment in euro, London time), on each date on which any payment of interest in respect of such Term Advance becomes due under the Intercompany Loan Agreement, make a payment from the GIC Account or, as applicable, the Stand-by GIC Account in an amount equal to the Required Coupon Amount for such Term Advance on the relevant Interest Payment Date to an account specified by the Principal Paying Agent to the Issuer and the LLP from time to time; and/or (b) in the case of a Term Advance where a Covered Bond Swap is in place, on each date on which any payment is due under the relevant Covered Bond Swap(s) (other than any termination payment under the relevant Covered Bond Swap Agreement and any payment in respect of principal), make a payment from the GIC Account or, as applicable, the Stand-by GIC Account in an amount equal to the Required Coupon Amount for such Covered Bond Swap(s) on the relevant payment date under the Covered Bond Swap in accordance with the terms of the relevant Covered Bond Swap Agreement.

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, a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or 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.

If the Transaction Account is closed in accordance with the terms of the Bank Account Agreement, any payment to be made to or from the Transaction Account shall, as applicable, be made to or from the Stand-by Transaction Accounts.

If either Stand-by Transaction Account is closed in accordance with the terms of the Stand-by Transaction Account Agreement, any payment to be made to or from the Stand-by Transaction Accounts shall be made from the GIC Account (or Stand-by GIC Account, as applicable) or no payment shall be made at all if such payment is expressed to be from the GIC Account (or Stand-by GIC Account, as applicable) to the Transaction Account or the Stand-by Transaction Accounts.

LLP Payment Dates will occur monthly.

Allocation and distribution of Available Revenue Receipts prior to the 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 realisation of the Security

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 realisation of the Security, and whilst amounts are outstanding in respect of the Covered Bonds, 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 the amount of Available Revenue Receipts available for distribution on the immediately following LLP Payment Date, the Reserve Fund Required Amount, the LBS Reserve Fund Required Amount, the Required Coupon Amount and the Required Coupon Amount Shortfall (if any) (in each case, if applicable).

Pre-Acceleration Revenue Priority of Payments

On each LLP Payment Date, the LLP (or the Cash Manager on its behalf) will transfer Available Revenue Receipts from the GIC Account or the Stand-by GIC Account, as applicable, and, if required (after transferring funds from the GIC Account or Stand-by GIC Account to the Transaction Account

or Stand-by Transaction Accounts), the LBS Reserve Fund Account, to the Transaction Account or Stand-by Transaction Account, in an amount equal to the lower of: (a) the amount required to make the payments described below (taking into account any Available Revenue Receipts standing to the credit of the Transaction Account or Stand-by Transaction Accounts); and (b) the amount of Available Revenue Receipts standing to the credit of the GIC Account or Stand-by GIC Account.

If an LLP Payment Date is the same as an Interest Payment Date, then the distribution of Available Revenue Receipts under the Pre-Acceleration Revenue Priority of Payments will be delayed until the Issuer has made the scheduled interest and/or principal payments due and payable on that Interest Payment Date save as provided for below.

The LLP will create and maintain ledgers for each Series of Covered Bonds and record amounts (other than in respect of principal) allocated to such Series of Covered Bonds in accordance with paragraph (e) of the Pre-Acceleration Revenue Priority of Payments below, and such amounts, once allocated, will be used to pay (i) amounts (other than in respect of principal) due under the relevant Term Advance in respect of the relevant Series of Covered Bonds on the date specified for payment in such Term Advance and (ii) amounts (other than in respect of principal) due under the Covered Bond Swap in respect of the relevant Series of Covered Bonds on the dates specified for payment within such Covered Bond Swap Agreement.

Prior to service on the LLP of an Asset Coverage Test Breach Notice that 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 realisation of the Security, Available Revenue Receipts as calculated on the immediately preceding Calculation Date will be applied by the LLP (or by the Cash Manager on its behalf) on each LLP Payment Date (except for amounts due to the Bond Trustee and the Security Trustee or to other third parties by the LLP or the Issuer under paragraphs (a) and (b) or Third Party Amounts, which shall be paid when due) in making the following payments and provisions (the **Pre-Acceleration Revenue Priority of Payments**) (in each case only if and to the extent that payments 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 then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Bond Trustee (including remuneration payable to it) under the provisions of the Trust Deed together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein;

(ii) all amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Security Trustee (including remuneration payable to it) under the provisions of the Deed of Charge 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) 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 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 or discharge any liability of the LLP for taxes; and

(ii) any remuneration and other amounts (including costs and expenses) then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Agents pursuant to the terms of the Agency 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 thereof of:

(i) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due and payable or to become due and payable to the Servicer pursuant to the terms of the Servicing Deed 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 and payable or to become due and payable to the Cash Manager pursuant to the terms 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) then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Account Bank (or, as applicable, the Stand-by Transaction Account Bank and the Stand-by GIC Provider) (including costs) pursuant to the terms of the Bank Account Agreement (or, as applicable, the Stand-by Transaction Account Agreement and the Stand-by Guaranteed Investment Contract), together with applicable VAT (or other similar taxes) thereon to the extent provided therein, provided that if such amounts have already been withdrawn from the Stand-by Transaction Account or the Stand-by GIC Account in accordance with the Stand-by Transaction Account Agreement or the Stand-by Guaranteed Investment Contract, as applicable, no such amounts will be payable in accordance with this paragraph (c)(iii);

(iv) amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period 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; and

(v) amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Asset Monitor pursuant to the terms of the Asset Monitor Agreement (other than the amounts referred to in paragraph (h) below), together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(d) *fourth*, in or towards payment of any amount due and payable to the Interest Rate Swap Provider (including any termination payment due and payable by the LLP under the Interest Rate Swap Agreement, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premium received from the replacement Interest Rate Swap Provider) pursuant to the terms of the Interest Rate Swap Agreement;

(e) *fifth*, in or towards payment *pro rata* and *pari passu* 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 (in respect of amounts provided for, with a corresponding credit to the relevant ledger) (and in the case of any such payment or provision, after taking into account any provisions previously made and any amounts received or receivable from the Interest Rate Swap Provider under the 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 (other than any amounts to be credited on such LLP Payment Date in accordance with (f) below), 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 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 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)) pursuant to the terms of the relevant Covered Bond Swap Agreement;

(ii) taking into account any amounts paid from amounts credited to the Coupon Payment Ledger (other than any amounts to be credited on such LLP Payment Date in accordance with (f) below), and, taking into account, 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 Series of Covered Bonds, 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,

(f) *sixth*, if a Cash Manager Relevant Event has occurred and is continuing, in or towards a deposit to the GIC Account or, as applicable, the Stand-by GIC Account, (with a corresponding credit to the Coupon Payment Ledger maintained in respect of that account) of an amount up to but not exceeding the amount by which the then applicable Required Coupon Amount exceeds the amount standing to the credit of the Coupon Payment Ledger;

(g) *seventh*, if a Servicer Event of Default has occurred, all remaining Available Revenue Receipts to be credited to the GIC Account or, as applicable, the Stand-by GIC Account (with a corresponding credit to the Revenue Ledger) until such Servicer Event of Default is either remedied by the Servicer or waived by the Security Trustee, or a new servicer is appointed to service the Portfolio (or the relevant part thereof);

(h) *eighth*, in or towards a credit *pro rata* and *pari passu* to (i) the Reserve Ledger on the GIC Account or Stand-by GIC 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 and (ii) if applicable, the LBS Reserve Fund Account (with a corresponding credit to the LBS Reserve Ledger) of an amount up to but not exceeding the amount by which the LBS Reserve Fund Required Amount exceeds the existing balance on the LBS Reserve Fund Account, as calculated on the immediately preceding Calculation Date;

(i) *ninth*, in or towards 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 to each Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement and to the Interest Rate Swap Provider under the Interest Rate Swap Agreement;

(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 Members pursuant to the LLP Deed and certain costs, expenses and indemnity amounts due to the Asset Monitor pursuant to the Asset Monitor Agreement;

(k) *eleventh*, in or towards repayment to the Society of any Cash Capital Contributions made by the Society (in its capacity as a Member of the LLP) to credit the Coupon Payment Ledger

(l) *twelfth*, to pay all remaining Available Revenue Receipts (except for an amount equal to the fees payable to each Designated Member in accordance with paragraph (m) below and an amount equal to the profit to be paid to the Members in accordance with paragraph (n) below) to the Seller in or towards payment of Deferred Consideration due to the Seller for the transfer of the Loans and their Related Security to the LLP;

(m) *thirteenth*, in or towards payment of a fee of £50 (inclusive of any VAT) due to each Designated Member; and

(n) *fourteenth*, towards payment *pro rata* and *pari passu* to the Members of the sum of £3,000 (or such other sum as may be agreed by the Members from time to time) in aggregate, to be allocated and paid to each Member in proportion to their 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.

On each Loan 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 Loan Interest Payment Date (if such Loan Interest Payment Date is also an LLP Payment Date) in accordance with (e)(iii) above, shall be applied in paying interest due on the Term Advance in respect of such Accumulation Series of Covered Bonds at item (e)(ii) of the Pre-Acceleration Revenue Priority of Payments to the extent such amounts are due and payable.

Prior to a Notice to Pay having been delivered, if a Cash Manager Relevant Event occurs, the LLP will on any LLP Payment Date immediately prior to the LLP Payment Date on which amounts or Scheduled Interest is required to be paid in respect of any Term Advance relating to an Accumulation Series of Covered Bonds, apply the amount standing to the credit of the Interest Accumulation Ledger in respect of such Accumulation Series of Covered Bonds to the Coupon Payment Ledger to fund in full or in part the amount to be deposited by the Seller pursuant to the LLP Deed. Such application

shall occur after the application of item (e) but before the application of item (f) in each case of the Pre-Acceleration Revenue Priority of Payments.

Any amounts (other than Swap Collateral Excluded Amounts and other than Swap Provider Tax Payments) 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 to each relevant Covered Bond Swap Provider under each relevant Covered Bond Swap Agreement or, as the case may be, to the Issuer 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 (other than in respect of principal and other than Swap Collateral Excluded Amounts and other than Swap Provider Tax Payments) 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 to the Issuer 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 (other than Swap Collateral Excluded Amounts and other than Swap Provider Tax Payments) received by the LLP under the Interest Rate Swap Agreement and any amounts (other than in respect of principal and other than Swap Collateral Excluded Amounts) received under the Covered Bond Swap Agreements on or after the LLP Payment Date but prior to the next following LLP Payment Date, which are not put towards a payment or provision in accordance with paragraph (e) above or the preceding two paragraphs, will be credited to the Revenue Ledger on the relevant LLP Account and applied as Available Revenue Receipts on the next succeeding LLP Payment Date.

If the LLP requires any Available Revenue Receipts or Available Principal Receipts to be exchanged into a currency other than Sterling, and such exchange would not be subject to or covered by the terms of a Covered Bond Swap Agreement, then the LLP (or the Cash Manager on its behalf) shall perform all necessary currency conversions at the then prevailing spot rate of exchange.

In accordance with the Intercompany Loan Agreement, the LLP shall 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 accordance with sub-paragraph (e)(ii) above or sub-paragraph (c)(ii) below, directly to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent, unless 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).

If any Swap Collateral Available Amounts are received by the LLP on any LLP Payment Date, such amounts shall be applied by the LLP (or by the Cash Manager on its behalf) on that LLP Payment Date in the same manner as it would have applied the receipts which such Swap Collateral Available Amounts replace.

Each Member acknowledges that the profit paid pursuant to paragraph (n) of the Pre-Acceleration Revenue Priority of Payments above to each Member represents a reasonable commercial

return to the Member from its involvement in the LLP and also agrees that such profits will not be paid to the Members at a time when they knew or ought to have known that there was no reasonable prospect of avoiding an insolvent liquidation of the LLP as a result of such profit distribution.

If at any time after an Account Bank Relevant Event there are amounts representing Revenue Receipts or Principal Receipts standing to the credit of the Transaction Account or Stand-by Transaction Accounts which are not available to be applied in accordance with paragraphs (a) to (n) of the Pre-Acceleration Revenue Priority of Payments above or paragraphs (a) to (d) of the Pre-Acceleration Principal Priority of Payments below, such amounts will be credited to the appropriate ledger in the GIC Account or, as applicable, the Stand-by GIC Account on the LLP Payment Date.

Allocation and Distribution of Available Principal 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 and/or the Commencement of Winding-up Proceedings against the LLP and/or Realisation of the Security

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 realisation of the Security and whilst amounts are outstanding in respect of the Covered Bonds, Available Principal Receipts will be allocated and distributed as described below.

On each Calculation Date, the LLP (or the Cash Manager on its behalf) shall calculate the amount of Available Principal Receipts available for distribution on the immediately following LLP Payment Date.

On each LLP Payment Date, the LLP (or the Cash Manager on its behalf) will transfer funds from the GIC Account or the Stand-by GIC Account, as applicable, and, if required, (after transferring funds from the GIC Account or Stand-by GIC Account to the Transaction Account or Stand-by Transaction Accounts), the LBS Reserve Fund Account, to the Transaction Account or Stand-by Transaction Accounts, in an amount equal to the lower of: (a) the amount required to make the payments or credits described below (taking into account any Available Principal Receipts standing to the credit of the Transaction Account or Stand-by Transaction Accounts); and (b) the amount of all Available Principal Receipts standing to the credit of the GIC Account or Stand-by GIC Account.

If an LLP Payment Date is on an Interest Payment Date, then 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 due and payable under the Covered Bonds on that Interest Payment Date unless, notwithstanding the proviso in item (b) of the Pre-Acceleration Principal Priority of Payments or in the paragraph immediately following the Pre-Acceleration Principal Priority of Payments, payment is made by the LLP directly to the Bond Trustee (or to the Principal Paying Agent at the direction of the Bond Trustee).

The LLP will create and maintain ledgers for each Series of Covered Bonds and record amounts in respect of principal allocated to such Series of Covered Bonds in accordance with paragraph (c) of the Pre-Acceleration Principal Priority of Payments below, and such amounts, once allocated, will be used to pay (i) amounts in respect of principal due under the relevant Term Advance in respect of the relevant Series of Covered Bonds on the date specified for payment in such Term Advance and (ii) amounts in respect of principal due under the Covered Bond Swap in respect of the relevant Series of Covered Bonds on the dates specified for payment within such Covered Bond Swap Agreement.

Pre-Acceleration Principal Priority of Payments

Prior to service on the LLP of an Asset Coverage Test Breach Notice that 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 realisation of the Security, all Available Principal Receipts (other than Cash Capital Contributions made from time to time by the Seller in its capacity as a Member) as calculated on the immediately preceding Calculation Date will be applied by or on behalf of the LLP on each LLP Payment Date in making the following payments and provisions (the **Pre-Acceleration Principal Priority of Payments**):

(a) *first*, to acquire New 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 GIC Account or Stand-by GIC Account, as applicable (with a corresponding credit to the Principal Ledger) 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 *pro rata* and *pari passu* 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 (in respect of amounts provided for, with a corresponding credit to the relevant ledger) (and in the case of any such payment or provision, after taking into account any provisions previously made and, if applicable, any principal amounts 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):

(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 (but, for the avoidance of doubt, excluding any Excluded Swap Termination Amount) pursuant to the terms of the relevant Covered Bond Swap Agreement; and

(ii) any amounts (in respect of principal) due or to become due and payable, *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

(d) *fourth*, subject to complying with the Asset Coverage Test, to make a Capital Distribution *pro rata* and *pari passu* to each Member (other than the Designated Members) in proportion to each such Member's Capital Contribution Balance as calculated on the immediately preceding Calculation Date (or, if the Society is not then a Member, towards repayment of the Issuer Subordinated Loan in accordance with the LLP Deed), provided that only Available Principal Receipts that are specifically attributable to Loans sold or Cash Contributions made by a specific Member (in its capacity as the Seller) shall be paid to that Member.

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, 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, unless an Asset Coverage Test Breach Notice has been served on the LLP and has not been revoked.

Any amounts of principal (other than Swap Collateral Excluded Amounts) received by the LLP 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 paragraph (c) above or the preceding paragraph, will be credited to the Principal Ledger on the relevant LLP Account and applied as Available Principal Receipts on the next succeeding LLP Payment Date.

Any Cash Capital Contributions made by the Society (in its capacity as a Member) other than those deemed to be Revenue Receipts or Principal Receipts from time to time shall, unless an Asset Coverage Test Breach Notice has been served and has not been revoked, be distributed to the Society as a Capital Distribution.

If at any time after an Account Bank Relevant Event, there are amounts representing Principal Receipts standing to the credit of the Stand-by Transaction Accounts which are not available to be applied in accordance with the Pre-Acceleration Revenue Priority of Payments, the same will be credited to the Stand-by GIC Account.

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 that has not been revoked, but prior to service on the LLP of a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or 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, respectively, 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 paragraphs (e)(ii) unless they are paid directly by the LLP to the Principal Paying Agent and (i) (to the extent only that such amounts are payable to the Members), (l), (m) or (n) of the Pre-Acceleration Revenue Priority of Payments or paragraphs (a), (c)(ii) unless they are paid directly by the LLP to the Principal Paying Agent or (d) of the Pre-Acceleration Principal Priority of Payments. For the avoidance of doubt, after service of an Asset Coverage Test Breach Notice but prior to service of a Notice to Pay, any amounts due from the Covered Bond Swap Provider shall be paid directly to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent.

Allocation and Distribution of Monies following the service of a Notice to Pay

At any time after the service on the LLP of a Notice to Pay, but prior to service on the LLP of an LLP Acceleration Notice and/or the commencement of winding-up proceedings in respect of the LLP and/or realisation of the Security, Available Revenue Receipts and all Available Principal Receipts standing to the credit of the LLP Accounts 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 Payment Ledger on the LLP Account, 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 paragraphs (e) and (f) 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 on the LLP of a Notice to Pay but prior to the service on the LLP of an LLP Acceleration Notice and/or the commencement of winding-up proceedings in respect of the LLP and/or realisation of the Security, the LLP (or the Cash Manager on its behalf) will apply Available Revenue Receipts and Available Principal Receipts as calculated on the immediately preceding Calculation Date 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 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 then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Bond Trustee (including remuneration payable to it) under the provisions of the Trust Deed together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein;

(ii) all amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Security Trustee (including remuneration payable to it) under the provisions of the Deed of Charge 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) any remuneration and other amounts (including costs and expenses) then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Agents pursuant to the terms of the Agency Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and

(ii) 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 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 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 Servicer and any costs, charges, liabilities and expenses then due and payable or to become due and payable to the Servicer pursuant to the terms of the Servicing Deed 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 and payable or to become due and payable to the Cash Manager pursuant to the terms 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 or to become due and payable in the immediately succeeding LLP Payment Period to the Account Bank (or, as applicable, the Stand-by Transaction Account Bank and the Stand-by GIC Provider) (including costs) pursuant to the terms of the Bank Account Agreement (or, as applicable, the Stand-by Transaction Account Agreement and the Stand-by Guaranteed Investment Contract), together with applicable VAT (or other similar taxes) thereon to the extent provided therein, provided that if such amounts have already been withdrawn from the Stand-by Transaction Accounts or the Stand-by GIC Account in accordance with the Stand-by Transaction Account Agreement or the Stand-by Guaranteed Investment Contract, as applicable, no such amounts will be payable in accordance with this paragraph (c)(iii);

(iv) amounts due and payable or to become due and payable in the immediately succeeding LLP Payment Period 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;

(v) amounts (if any) due and payable to the relevant UK regulatory authority under the RCB Regulations (other than the initial registration fee) together with the applicable VAT (or other similar taxes) thereon; and

(vi) amounts due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Asset Monitor pursuant to the terms of the Asset Monitor Agreement (other than the amounts referred to in paragraph (k) below), together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(d) *fourth*, in or towards payment, of any amount due to the Interest Rate Swap Provider (including any termination payment due and payable by the LLP under the Interest Rate Swap Agreement but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premium received from the replacement Interest Rate Swap Provider) pursuant to the terms of the Interest Rate Swap Agreement;

(e) *fifth*, to pay or provide for (in respect of amounts provided for, with a corresponding credit to the relevant ledger) *pro rata* and *pari passu* according to the respective amounts thereof:

(i) taking into account any amounts paid from amounts previously credited to the Coupon Payment Ledger, in respect of any Term Advance with a Covered Bond Swap in place 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 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)) pursuant to the terms of the relevant Covered Bond Swap Agreement;

(ii) taking into account any amounts paid from amounts previously credited to the Coupon Payment Ledger and, taking into account, 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, in respect of any Term Advance without a Covered Bond Swap in place, 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 Provider in respect of the 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 LLP Payment Date or in the immediately succeeding LLP Payment Period, provided that if the amount available for distribution under this paragraph (e) (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 Interest that is Due for Payment in respect of each Series of Covered Bonds under sub-paragraph (e)(ii) above, the shortfall shall be divided among 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 sub-paragraph (e)(i) above shall be reduced by the amount of the shortfall applicable to the Series of Covered Bonds in respect of which such payment is to be made;

(f) *sixth*, to pay or provide for (in respect of amounts provided for, with a corresponding credit to the relevant ledger) *pro rata* and *pari passu* according to the respective amounts thereof, of:

(i) the amounts (in respect of principal) due and payable to the 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 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 LLP Payment Date or in the immediately succeeding LLP Payment Period, provided that if the amount available for distribution under this paragraph (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 each relevant Series of Covered Bonds under sub-paragraph (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 sub-paragraph (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 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* 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 relevant 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 paragraph (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 Extended Covered Bonds under sub-paragraph (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 sub-paragraph (g)(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;

(h) *eighth*, to deposit the remaining monies in the GIC Account or Stand-by GIC Account, as applicable, for application on the next following LLP Payment Date in accordance

with the priority of payments described in paragraphs (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 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 to each Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement and to the Interest Rate Swap Provider under the Interest Rate 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 payment *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, if the Society is not then a Member of the LLP, towards repayment of the Issuer Subordinated Loan) 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 Clause 20 (*Application and Distribution of Monies when Covered Bonds Repaid*) of the LLP Deed.

On each Loan 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 (e)(iii) above 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.

Any amounts (other than Swap Collateral Excluded Amounts and other than Swap Provider Tax Payments) 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 payment 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 to the relevant Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement or, as the case may be, to the Issuer in respect of Scheduled Interest that is Due for Payment (or will become Due for Payment) under the Covered Bond Guarantee in respect of each relevant Series of Covered Bonds.

Any amounts (other than Swap Collateral Excluded Amounts and other than Swap Provider Tax Payments) received by the LLP under a Covered Bond Swap Agreement (whether or not in respect of principal) 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 payment made on any preceding LLP Payment Date, to make payments of interest or principal, as the case may be, in respect of the relevant Series of Covered Bonds under the Covered Bond Guarantee.

Any amounts (other than Swap Collateral Excluded Amounts and other than Swap Provider Tax Payments) received under the Interest Rate Swap Agreement or any Covered Bond Swap Agreement on or after the LLP Payment Date but prior to the next following LLP Payment Date which are not put towards a payment or provision in accordance with sub-paragraphs (e)(ii), (f)(ii),or (g)(ii)

of the Guarantee Priority of Payments or any amounts received under the two paragraphs immediately above will be credited to the Revenue Ledger or the Principal Ledger (as appropriate) and the relevant LLP Account and applied as Available Revenue Receipts or Available Principal Receipts, as the case may be, on the next succeeding LLP Payment Date.

If the LLP requires any Available Revenue Receipts or Available Principal Receipts to be applied to be exchanged into a currency other than Sterling, and such exchange would not be subject to or covered by the terms of a Covered Bond Swap Agreement, then the LLP (or the Cash Manager on its behalf) shall perform all necessary currency conversions at the then prevailing spot rate of exchange.

If any Swap Collateral Available Amounts are received by the LLP on an LLP Payment Date, such amounts shall be applied by the LLP (or by the Cash Manager on its behalf) on that LLP Payment Date in the same manner as it would have applied the receipts which such Swap Collateral Available Amounts replace.

Termination payments, indemnities and tax credits 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 (prior to the occurrence of an LLP Event of Default and service on the LLP 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 to enter into a replacement Swap with the LLP, unless a replacement Swap 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, such premium will first be used to make any termination payment due and payable by the LLP with respect to the previous Swap, unless such termination payment has already been made on behalf of the LLP.

Any termination payment received by the LLP which is not applied to pay any premium to a replacement Swap Provider(s) to enter into a replacement Swap Agreement(s) will be credited to the Revenue Ledger and the LLP Accounts and applied as Available Revenue Receipts on the next succeeding LLP Payment Date.

Any premium received by the LLP from a replacement Swap Provider(s) to enter into a replacement Swap Agreement(s) which is not applied to pay a termination payment to the replaced Swap Provider(s) will be credited to the Revenue Ledger and the LLP Accounts and applied as Available Revenue Receipts on the next succeeding LLP Payment Date.

If the LLP is required under the terms of any Swap Agreement to make a payment to a Swap Provider in consequence of the receipt by a Member of a credit, allowance, set off or repayment in respect of taxation (a **LLP Tax Credit Payment**), then such Member shall pay to the LLP an amount equal to the LLP Tax Credit Payment on the date on which such LLP Tax Credit Payment is due to be made by the LLP under the terms of such Swap Agreement.

If the Swap Provider breaches certain tax representations in the relevant Swap Agreement and a Member of the LLP suffers a loss, the LLP may receive payment of indemnity amounts from the Swap Provider on the affected Member's behalf. The LLP shall account to the Member for such amounts and shall pay amounts upon receipt to the affected Member.

Amounts received by the LLP, in accordance with this section shall not be funds of the LLP and will not be construed to be amounts received in respect of Available Revenue Receipts or Available Principal Receipts.

Payments out of the LLP Accounts Upon Enforcement, Realisation and/or Winding-up

From and including the time when the Bond Trustee serves an LLP Acceleration Notice on the LLP and/or realisation of the Security and/or the commencement of winding-up proceedings against the LLP, no amount may be withdrawn from the LLP Accounts without the prior written consent of the Security Trustee.

Under the terms of the Deed of Charge, all monies received or recovered by the Security Trustee (or a Receiver appointed by it) (excluding all amounts due or to become due in respect of any Tax Credit, Third Party Amounts, Swap Collateral Excluded Amounts, LLP Tax Credit Payments or Swap Provider Tax Payments) after the service of an LLP Acceleration Notice, the commencement of winding-up proceedings against the LLP and/or realisation of the Security, for the benefit of the Secured Creditors in respect of the Secured Obligations, shall be held by it in the LLP Accounts on trust to be applied (save to the extent required otherwise by law) in the following order of priority (and, in each case, only if and to the extent that payments of a higher order of priority have been made in full) (the **Post-Enforcement Priority of Payments**):

(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:

(A) the Bond Trustee (including remuneration payable to it) under the provisions of the Trust Deed together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein; and

(B) the Security Trustee (including remuneration payable to it) and any Receiver appointed by the Security Trustee under the provisions of the LLP Deed together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein;

(ii) any remuneration and other amounts (including costs and expenses) then due and payable to the Agents pursuant to the terms of the Agency Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(iii) amounts in respect of:

(A) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicer under the terms of the Servicing Deed, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(B) 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 pursuant to the terms of the Cash Management Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(C) amounts (if any) due and payable to the Account Bank (or, as applicable, the Stand-by GIC Provider and the Stand-by Transaction Account Bank) (including costs) pursuant to the terms of the Bank Account Agreement (or, as applicable, the Stand-by Guaranteed

Investment Contract and/or the Stand-by Transaction Account Agreement), together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(D) amounts 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; and

(E) amounts overdue to the Asset Monitor pursuant to the terms of the Asset Monitor Agreement (other than amounts referred to in paragraph (d) below), together with applicable VAT (or similar taxes) thereon to the extent provided therein;

(iv) any amounts due and payable to the Interest Rate Swap Provider (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 Agreement;

(v) all amounts due and payable:

(A) to the relevant Covered Bond Swap Providers *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) pursuant to 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 paragraph (a) (excluding any amounts received from the relevant Covered Bond Swap Provider in respect of the amounts referred to in sub-paragraph (a)(v)(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 (a)(v)(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 Covered Bond Swap under sub-paragraph (a)(v)(A) above shall be reduced by the amount of the shortfall applicable to the Series of Covered Bonds in respect of which such payment is to be made;

(b) *second*, 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 each Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement and to the Interest Rate Swap Provider under the Interest Rate Swap Agreement;

(c) *third*, 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;

(d) *fourth*, towards payment *pro rata* and *pari passu* in accordance with the respective amounts thereof of any indemnity amount due to the Members pursuant to the LLP Deed and certain costs, expenses and indemnity amounts overdue to the Asset Monitor pursuant to the Asset Monitor Agreement; and

(e) *fifth*, thereafter any remaining monies shall be applied in or towards payment to the Members pursuant to Clause 20 (*Application and Distribution of Monies When Covered Bond Repaid*) of the LLP Deed (and, if the Society is not then a Member of the LLP, towards repayment of the Issuer Subordinated Loan pursuant to the LLP Deed).

If the LLP receives any Tax Credits in respect of a Swap following the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice, such Tax Credits will be used to reimburse the relevant Swap Provider for any gross-up in respect of any withholding or deduction made under the relevant Swap. Following the occurrence of an LLP Event of Default and the service of an LLP Acceleration Notice, any Swap Collateral Excluded Amounts in respect of a Swap will be returned to the relevant Swap Provider subject to the terms of the relevant Swap Agreement, and any Third Party Amounts will be returned to the Seller.

Since the admission of the Issuer to the register of issuers pursuant to Regulation 14 of the RCB Regulations, the above Post-Enforcement Priority of Payments are subject to the provisions of Regulations 28 and 29 of the RCB Regulations. In particular, costs properly incurred by a receiver, liquidator, provisional liquidator or manager of the LLP in relation to:

- persons providing services for the benefit of Covered Bondholders (which pursuant to the RCB Regulations shall include the persons listed in paragraph (a) above (excluding the Swap Providers));

- the Swap Providers in respect of amounts due to them under paragraph (a) above; and

- 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 paragraphs (a)(i) and (a)(ii) above (e.g. liquidity loans),

shall be expenses which shall 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*".

FURTHER INFORMATION RELATING TO THE REGULATION OF MORTGAGES IN THE UK

Certain Regulatory Considerations

Regulated Mortgage Contracts

In the UK, regulation of residential mortgage business under the Financial Services and Markets Act 2000 (**FSMA**) came into force on 31 October 2004 (the date known as 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) 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 on or after the Regulation Effective Date but prior to 21 March 2016, it will be a regulated mortgage contract under the RAO if: (i) the lender provided credit to an individual or to trustees; (ii) the obligation of the Borrower to repay was secured by a first ranking legal mortgage (or, in Scotland, a first ranking standard security) on land (other than timeshare accommodation) in the UK; and (iii) 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, the beneficiary under the trust where the Borrower is a trustee and the beneficiary is an individual or by a related person. A related person (in relation to a borrower, or in the case of credit provided to trustees, a beneficiary of the trust) is (i) that person's spouse or civil partner, (ii) 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 (ii) that person's parent, brother, sister, child, grandparent or grandchild (a **Related Person**).

The current definition of a Regulated Mortgage Contract (a **Regulated Mortgage Contract**) is such that if the mortgage contract was entered into on or after 21 March 2016, it will be a Regulated Mortgage Contract, if it meets the following conditions (when read in conjunction with and subject to certain relevant exclusions) (a) the borrower is an individual or trustee; (b) the contract provides for the obligation of the borrower to repay is secured by a mortgage on land, at least 40 per cent. of which is used, or is intended to be used, in the case of credit provided to an individual, as or in connection with a dwelling; or in the case of credit provided to a trustee who 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 UK 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 UK.

Credit agreements that were originated before 21 March 2016, which were regulated by the CCA, 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 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 be committing 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 also be committing 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 Servicer is required to hold and does hold authorisation and permission to enter into and to administer and 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 a servicing agreement by an entity having the required authorisation and permission under the FSMA. If such a servicing agreement terminates, the LLP will have a period of not more than one month (beginning with the day on which such arrangement terminates) in which to arrange for mortgage administration to be carried out by a replacement servicer having the required FSMA authorisation and permission.

The LLP will only hold beneficial title to the Loans and their Related Security. In the event that legal title is transferred to the LLP, the LLP will have arranged for a servicer to administer these Loans and is not expected to enter into any new regulated mortgage contracts as lender under article 61(1) of the RAO. However, 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 entry into such variation would need to be carried out by an appropriately authorised entity.

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 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).

Changes to UK mortgage regulation and to the regulatory structure in the UK

The final rules in relation to the FCA Mortgage Market Review (**MMR**) generally came into force on 26 April 2014. These rules required a number of material changes to the mortgage sales process, both in terms of advice provision in nearly all scenarios and significantly enhanced affordability assessment and evidencing.

The rules permit interest-only loans however, in relation to regulated mortgage contracts, there is a clear requirement for a clearly understood and credible strategy for repaying the capital (evidence of which the lender must obtain before making the entering into the loan).

The FCA continues to assess firms' implementation of the rules introduced as a result of the MMR to review responsible lending practices. This is in addition to regulatory reforms made as a result of the implementation of the Mortgage Credit Directive from 21 March 2016.

It is possible that further changes may be made to the FCA's MCOB rules as a result of the FCA's ongoing reviews and other related future regulatory reforms. To the extent that any new rules do apply to any of the Loans, failure to comply with these rules may entitle a borrower to claim damages for loss suffered or set-off the amount of the claim against the amount owing under the loan.

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 Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) (as amended) (the **RAO**) (a **Regulated Credit Agreement**);
- regulated by the FSMA as a regulated mortgage contract – as defined by article 61 RAO) (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 (a **Consumer Buy to Let Loan**).

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. Such 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.

If a buy-to-let mortgage is secured on a property occupied by a Related Person then it will be a Regulated Mortgage Contract. Otherwise, as described above, buy-to-let mortgages will be regulated by either the consumer buy to let regime or the CCA or will be unregulated.

The LLP is excluded as lender from the regulated activities of debt administration and debt collection in respect of any unregulated, CBTL loans or CCA regulated loans. The Servicer is registered as a consumer buy-to-let lender, consumer buy-to-let administrator, consumer buy-to-let arranger and consumer buy-to-let adviser.

Matters relating to Buy-to-Let Mortgages

The Loans in the Portfolio may include buy-to-let Loans. Whilst the Loans in the Portfolio include buy to let loans, the percentage of the Loans in the Portfolio that are buy-to-let (including the

loans that it is proposed will be New Loans) will not exceed 15 per cent. at each relevant Transfer Date in relation to the sale of New Loans. The Borrowers' ability to make payments in respect of the Loans is likely to depend on the Borrowers' ability to let the relevant Properties on appropriate terms. It is intended that the Properties which secure such Loans will be let by the relevant Borrower to tenants but there can be no guarantee that each such Property will be the subject of an existing tenancy when the relevant Loan is acquired by the LLP or that any tenancy which is granted will subsist throughout the life of the Loan and/or that the rental income achievable from tenancies of the relevant Property over time will be sufficient to provide the Borrower with sufficient income to meet the Borrower's obligations in respect of the Loan.

Consequently, the Security for the Covered Bonds may be affected by the condition of the private residential rental market in the UK. The condition of the market will influence both the ability of the Borrowers to find tenants and the level of rental income which may be achieved in letting. The obligations of a Borrower to make payment under the Loan are unconditional without regard to whether the Property is let or the amount of rent received by the Borrower from the relevant tenant.

Upon enforcement of a Loan in respect of a Property which is the subject of an existing tenancy, the Servicer may not be able to obtain vacant possession of that Property until the end of the tenancy. If the Servicer enforces while the tenancy is continuing and sells the Property as an investment property with one or more tenants in situ, this may affect the amount which may be realised in the sale, although the existence of any such tenant paying rent in full on a timely basis may not have an adverse effect on the amount of such realisation. However, in the UK it is common for tenancies to be only for six or 12 months, so a tenanted property will often be vacated sooner than an owner-occupied property. Additionally, enforcement procedures in relation to such Loans include the ability to appoint a receiver of rent, in which case such a receiver would collect any rents payable in respect of such property and apply them in payment of any arrears of principal and interest under the Loan. 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.

There have been various tax related changes to the UK legislation in recent years which may affect the ability of the Borrowers to repay their Buy-to-Let Loans due to the increased tax costs associated with buy-to-let mortgages and there may be further changes in the future which further impact the Borrowers' ability to meet their obligations under such Loans. For example, with effect from 6 April 2020 there is no longer a deduction available for finance costs against rental income for individual landlords and instead an individual landlord is only entitled to relief for interest payable at the basic rate of income tax (20 per cent.) which may result in higher taxes for the individual landlords depending on their personal circumstances.

Further, a higher rate of stamp duty land tax (**SDLT**), Welsh Land Transactions Tax (**WLTT**) and Scottish land and buildings transaction tax (**LBTT**) applies to the purchase of additional residential properties (such as buy-to-let properties) in England and Northern Ireland, Wales and Scotland respectively. The current additional rate are as follows: (i) in England and Northern Ireland the higher rate is 3 per cent. above the current SDLT rates; (ii) in Wales the higher rate is 4 per cent. above the current WLTT rates and (iii) in Scotland the additional dwelling supplement (akin to the higher rate) is 4 per cent. above the current LBTT rates.

In addition, from 1 April 2021, a 2 per cent. SDLT surcharge applies to non-UK residents purchasing residential property in England and Northern Ireland. This applies in addition to the 3 per cent. additional rate that applies to the purchase of additional residential properties in England and Northern Ireland described above.

Further, since 1 April 2018, landlords of relevant domestic properties in England and Wales have not been permitted to 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 since 1 April 2020, landlords have not been permitted to 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 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 authority 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 2020 the Department for Business, Energy & Industrial Strategy issued a consultation titled "Improving the energy performance of privately rented homes in England and Wales" regarding, among other things, the proposal to raise energy performance standards for the domestic private rented sector to an EPC rating band of C. The consultation period closed on 8 January 2021. No publication date for the results of the consultation has yet been announced by the UK Government.

Landlords in Scotland currently need to have a valid EPC available for a property offered for let when there is a change in tenancy. Under the Energy Performance of Building (Scotland) Regulations 2008 the EPC is valid for a period of up to ten years, and must be lodged on the EPC register. There are existing mechanisms to enforce this requirement, although it should be noted that in Scotland the basis for assessment of EPC ratings is different from that in England and Wales, which can lead to different ratings for similar buildings in both jurisdictions. In order to set similar standards in the private rented sector in Scotland compared to those in England and Wales, the Scottish government has published, in draft form, The Energy Efficiency (Domestic Private Rented Property) (Scotland) Regulations 2020 to ensure that all privately rented homes in Scotland meet a minimum standard of energy efficiency. However, whilst it was anticipated that these regulations would come into force on 1 April 2020, the Scottish Government has delayed the implementation of the new minimum standards due to the impact of the COVID-19 pandemic and the timescale for these coming into effect continues to be unclear.

There are currently no minimum standards of energy efficiency for domestic rented properties in Northern Ireland in place. An Energy Performance Certificate is required to be provided on the sale or renting out property.

These measures may adversely affect the private residential rental market in England, Wales, Scotland and Northern Ireland 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.

Unfair relationships

Under the CCA, the earlier "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 and also applies to (as described above) ‘consumer credit back book mortgage contracts'. If the 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 Originator, 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 conduct of the creditor (or 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, subsequently, the FCA on that principle and by the OFT on the unfair relationship test, may also be relevant. Under the CCA, once the debtor alleges that an "unfair relationship" exists, the burden of proof is on the creditor to prove the contrary.

Plevin v Paragon Personal Finance Limited [2014] UKSC 61(, 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. Where add-on products such as insurance are sold and are subject to significant commission payments, it is possible that the non-disclosure of commission by the lender is a factor that could form part of a finding of unfair relationship.

The FCA set a deadline of 29 August 2019 by which consumers needed to make any payment protection insurance complaints or lose their right to have them assessed by firms or the Financial Ombudsman Service (although consumers continue to be able to bring claims in court). A consumer may be able to also still submit a complaint if they were sold the PPI policy after 29 August 2017, the complaint is about a claim being turned down by an insurer or the consumer can clearly show that there were exceptional circumstances that prevented them from making a complaint by the deadline.

Distance Marketing of Financial Services

In the UK, 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 (and MCOB in respect of activities related to Regulated Mortgage Contracts) 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 a distance contract for the supply of the financial services in question 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, among other things, disciplinary action by the FCA and claims for damages under Section 138D of FSMA for breach of FCA rules.

Certain other agreements for financial services may be cancellable under the Distance Marketing Regulations if the borrower does not receive the 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 of the 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 lender 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 UK, the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the **1999 Regulations**), together with (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 risk factor "*Consumer Rights Act 2015*" 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 notices of variation, such as variation of interest rate under contracts.

The FCA have stated that the finalised FCA guidance "Fairness of variation terms in financial services consumer contracts under the Consumer Rights Act 2015" applies equally to factors that firms should consider to achieve fairness under the UTCCR.

(i) UTCCR

The UTCCR and the CRA provide that a consumer (which would include a Borrower under all or almost all of the 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 adequately drawn 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 and apply to agreements made on or after that date. 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 for contracts entered into on or after 1 October 2015. 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 specifies "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 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) Regulatory Developments

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 have been removed.

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(s) in relation to any consumer contracts which contain variation terms.

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" (save in applying the consumer notices and negotiated terms). The document further notes that "the extent of continuity in unfair terms legislation means that existing case law generally, and that of the Court of Justice of the EU particularly, is for the most part as relevant to the Act as it was the UTCCRs".

In general, the interpretation of the UTCCR and/or CRA is open to some doubt, particularly in the light of sometimes conflicting reported case law between English courts and the Court of Justice of the European Union. The broad and general wording of 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 and/or CRA may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans.

FCA Consumer Duty

The FCA has published final rules on the introduction of a new consumer duty on regulated firms (the **Consumer Duty**), which aims to set a higher level of consumer protection in retail financial markets. The FCA published its final rules on the Consumer Duty in July 2022, which provide that the Consumer Duty will apply 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 will apply to the regulated activities and ancillary activities of all firms authorised under the FSMA.

There are three main elements to the new Consumer Duty, comprising a new consumer principle, that "a firm must act to deliver good outcomes for the retail consumers of its products", cross-cutting rules supporting the consumer principle, and four outcomes, relating to the quality of firms' products and services, price and value, consumer understanding and consumer support.

The Consumer Duty applies not only at origination of a product but throughout its subsistence (so 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 will apply in respect of Regulated Mortgage Contracts (as well as loans falling within the consumer credit regime). It will apply 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 will not apply retrospectively, the FCA will require firms to apply the Consumer Duty to existing products on a forward-looking basis. It is not yet possible to predict the precise effect of the new Consumer Duty on the Loans with any certainty.

Breathing Space Regulations

The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020 (SI 2020/1311) (**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". In Scotland, eligible individuals are afforded similar legal protection under the Debt Arrangement Scheme and the Bankruptcy (Scotland) Act 2016. 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 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 its 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.

In February 2021, the FCA issued a policy statement (PS21/1) on the application of the Breathing Space Regulations, in which they confirm 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 42 days is shorter than in England and Wales and does not make any accommodation for mental health crisis.

Financial Ombudsman Service

Under the FSMA, the Ombudsman (the **Ombudsman**) is required to make decisions on, among other things, complaints relating to 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 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. As the Ombudsman is required to make decisions on the basis of, among other things, the principles of fairness, and may order a money award to a complaining borrower, it is not possible to predict how any future decision of the Ombudsman would affect the ability of the LLP to make payments of amounts due to Covered Bondholders.

Consumer Protection from Unfair Trading Regulations

The Consumer Protection from Unfair Trading Regulations 2008 (the **CPUTR**) came into force on 26 May 2008 and prohibit certain practices which it deems "unfair" within the terms of the CPUTR. A 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 agreements may result in irrecoverable losses on amounts to which such agreements apply. The Consumer Protection (Amendment) Regulations 2014 (SI No.870/2014) 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.

Non-disclosure of Broker Commissions

Certain of the Loans may also have been originated through such intermediaries, including mortgage brokers and mortgage advisers. In line with market practice, the Originators paid commission to such intermediaries in consideration for such activities in the form of a procuration fee.

Where only the existence but not the amount of the commission was disclosed to a Borrower then, depending on the circumstances of the case, that Borrower may have a claim against the relevant Legal Title Holder of the affected Loan. If such claim was successful, it is likely that a court would order payment to such Borrower of the amount of commission paid in respect of the affected Loan together with interest on that amount (although the court does have discretion as to the remedy that it would award the Borrower in the circumstances), whereas the award is likely to be greater where there was a failure to disclose the existence of the commission to a Borrower.

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.

Previously, title to a residential property that was recorded in the General Register of Sasines would usually only require to be moved to the Land Register of Scotland (a process known as 'first registration') when that property was sold or if the owner decided 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: (i) the recording of 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 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 Loans and their Related Security pursuant to the Mortgage Sale Agreement (a **Scottish Sasine Sub-Security**)); or (ii) the recording of 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 Portfolio recorded in the General Register of Sasines, pursuant to the terms of the Mortgage Sale Agreement (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. From 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 a trigger event to perfect legal title of the loans and, given that the proportion of residential properties in Scotland which remain recorded in the General Register of Sasines continues to decline (the Registers of Scotland estimate that, in October 2022 around 86 per cent. of property titles that regularly transact in Scotland were registered in the Land Register of Scotland or in the process of being registered), it is likely that in relation to the current portfolio, only a minority of the Scottish Mortgages will be recorded in the General Register of Sasines.

Private Housing (Tenancies) (Scotland) Act 2016

The Private Housing (Tenancies) (Scotland) Act 2016 (the **2016 Act**) introduced, from 1 December 2017, a form of tenancy in Scotland known as a "private residential tenancy" which (except in a very limited number of exceptions) provides 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. There is a risk that the 2016 Act may result in lower recoveries in relation to buy-to-let mortgages over properties in Scotland and may affect the ability of the Issuer to make payments on the Covered Bonds.

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 the Scottish Parliament has enacted The Cost of Living (Tenant Protection) (Scotland) Act 2022 (the **2022 Act**). The 2022 Act amends the 2016 Act and implements temporary protections for tenants that will prohibit eviction and rent increases. The initial period for these protections runs from 6 September 2022 to 31 March 2023 and the Scottish Ministers have the ability to end these protections prior to 31 March 2023 or extend their application for two further periods of 6 months. While the temporary protections apply, a landlord will not be able to increase rent beyond a permitted rate (to be set by the Scottish Ministers and initially set at 0%) however a landlord may apply to increase the rent by up to 3% in order to recover a proportion of increases in certain property costs (including interest payable under a mortgage). In addition, a landlord will not be able to enforce eviction notices unless the ground for eviction is one of those exempt from the prohibition. The exempt eviction grounds include, among others, when an eviction is sought because (i) a lender or security-holder intends to sell the property; (ii) the landlord intends to sell or live in the property in order to alleviate financial hardship; and (iii) there are rent arrears equal to or more than the equivalent of 6 months' rent. There are similar provisions for assured and other tenancies. Delays to landlords seeking possession of a property and the restrictions on a landlord's ability to increase rent during the period in which these protections are in place may result in less rental income being available to meet the Borrower's repayment obligations in respect of the Loans.

The effects of the 2016 Act (as amended) are restricted to any buy-to-let loans secured over Scottish Property.

Private Tenancies (Northern Ireland) Order 2006

The Private Tenancies (Northern Ireland) Order 2006 and the Rent (Northern Ireland) Order 1978 make provisions for protected and controlled tenancies. Protected tenants have greater rights to stay on in a property than other tenants and may only be evicted on certain grounds. In addition, when a protected tenant dies, a family member who lived in the property with the tenant may be able to inherit the tenancy.

Accordingly, a lender or security holder may not be able to gain vacant possession if it wishes to enforce its security unless one of the specific eviction grounds under which the legislation applies. The mandatory grounds for possession are as follows:

- The property was originally the landlord's home and s/he gave you or the original tenant notice before the tenancy was granted that s/he intended returning to live there in the future.

- The landlord was a member of the armed forces at the time the tenancy was granted and gave you or the original tenant notice that s/he may in the future seek possession of the property in order to live there.

- Before granting the tenancy the landlord gave you or the original tenant notice that s/he intended to seek possession of the property on retirement (the landlord must be retired from employment to seek possession under this ground).

- The property was originally intended for occupation by a minister of religion or a missionary and is now required for this purpose.

- The property was let under a protected shorthold tenancy which has now expired.

Under the Private Tenancies (Northern Ireland) Order 2006, possession will be granted by a court if the Landlord has served a valid notice to quit and the Tenant has not left the property at the end of this time. If it is a periodic tenancy and there is no fixed term agreement, grounds are not needed to begin eviction proceedings. If it is a fixed term tenancy and breach of agreement is being relied on the court will need to be satisfied that there has been a breach of the agreement. If the tenancy is a protected or statutory tenancy (i.e. commencing before 1 April 2007) and the mandatory grounds for possession apply and suitable notice has been given the court must grant a possession order if these apply. Alternatively, if it is a protected or statutory tenancy and the landlord relies on the discretionary grounds, possession will only be given if the court thinks it is reasonable and suitable accommodation is or will be made available for the tenant. Discretionary grounds do include arrears or breach of the tenancy agreement.

Repossessions

There is a protocol for mortgage repossession cases in England and Wales (the **Pre-Action Protocol**). The Pre-Action Protocol sets out the steps that judges will expect any lender to take before starting a claim. A number of mortgage lenders have confirmed that they will delay the initiation of repossession action for at least three months after a borrower, who is an owner occupier, is in arrears. 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 Financial Ombudsman Service about the potential possession claim. The application of such moratorium is subject to the wishes of the borrower and may not apply in cases of fraud.

The Pre-Action Protocol expressly states that it does not apply to "Buy to Let mortgages" (although the Pre Action Protocol has not been updated to expressly confirm that it does not apply to consumer buy to let mortgages).

The FCA published "Mortgages and Coronavirus: Tailored Support Guidance" in March 2021 (the **Tailored Support Guidance**). The Tailored Support Guidance provided that from 1 April 2021, subject to any relevant government restrictions on repossessions, lenders could enforce repossession as long as they act in accordance with the Tailored Support Guidance, MCOB 13 and relevant regulatory and legislative requirements. The Tailored Support Guidance provides that there is no 'one-size-fits-all' approach to how long lenders should offer forbearance before starting a court process but action to seek possession should be a last resort and not be started unless all other reasonable attempts to resolve the position have failed.

In addition, the Mortgage Repossessions (Protection of Tenants etc) Act 2010 came into force on 1 October 2010. The 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.

Home Owner and Debtor Protection (Scotland) Act 2010

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 to a mortgagee) in relation to the enforcement of standard securities over residential property in Scotland. Under Part I of this 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 also has to demonstrate that it has taken various preliminary steps to attempt to resolve the borrower's position, and comply with further procedural requirements, which may restrict the ability of the Seller (or LLP, as applicable) as heritable creditor in respect of the Scottish Loans and their Related Security to exercise its power of sale.

Mortgage Prisoners

The FCA are aware that there are some consumers who cannot switch to a more affordable mortgage despite being up to date with their mortgage payments. This includes those who can't switch because of changes to lending practices during and after the 2008 financial crisis and subsequent regulation that tightened lending standards – often called 'mortgage prisoners'.

Under Policy Statement PS19/27 which came into effect on 28 October 2019, the FCA have amended their responsible lending rules and guidance to help remove potential barriers to consumers switching to a more affordable mortgage and to reduce the time and costs of switching for all relevant consumers. Mortgage lenders can choose to carry out a modified affordability assessment where a consumer has a current mortgage, is up-to-date with their mortgage payments (and has been for the last 12 months), does not want to borrow more, other than to finance any relevant product, arrangement or intermediary fee for that mortgage and is looking to switch to a new mortgage deal on their current property. Further, inactive lenders and administrators acting for unregulated entities (such as the LLP) were required by 15 January 2021 to review their customer books and develop and implement a communication strategy for contacting relevant consumers to tell them it could be simpler for them to remortgage.

The modification of the responsible lending rules should make it easier for a borrower who is a mortgage prisoner to switch to a new lender and this, together with the proposed notification obligations, could increase redemption rates where there are a significant number of mortgage prisoners held by a lender.

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**). If it is, this could have the consequences set out below.

A tenancy or lease will be an AT if granted after 15 January 1989 and:

(i) the tenant or, as the case may be, each of the joint tenants is an individual;

(ii) the tenant or, as the case may be, at least one of the joint tenants occupies the dwelling-house as their only or principal home; and

(iii) if granted before 1 April 1990:

(a) the property had a rateable value at 31 March 1990 lower than £1,500 in Greater London or £750 elsewhere; and

(b) the rent payable for the time being is greater than two thirds of the rateable value at 31 March 1990;

(iv) if granted on or after 1 April 1990 the rent payable for the time being is between £251 and £100,000 inclusive (or between £1,001 and £100,000 inclusive in Greater London).

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 in England and Wales 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 under way to review residential leasehold law in England and Wales generally and it is anticipated that this issue will be addressed as part of any resulting reforms.

Help to Buy Scheme

In March 2013, the UK Government announced the "Help to Buy" Scheme involving two separate proposals to assist home buyers. The first involves a shared equity loan made available by the UK Government to borrowers for the purchase of new homes. The shared equity loans were availavle from 1 April 2013 (each a **Help to Buy Equity Loan**) (the **Help to Buy: Equity Loan (2013-2021)**

Scheme). 7.9 per cent. of the Loans by Current Balance in the Cover Pool as at the date of this Prospectus are Help to Buy Equity Loans. Applications for the Help to Buy: Equity Loan (2013-2021) Scheme ended on 15 December 2020.

The Scottish Government introduced a similar "Help to Buy (Scotland)" Scheme in March 2013 (which operated until 31 March 2016) to assist home buyers in Scotland. On 1 April 2016 a new scheme was introduced in Scotland with more emphasis on affordability and providing financial assistance in the form of a shared equity loan (through administering agents appointed by the Scottish Government) to borrowers, for up to 15 per cent. of the property price, for the purchase of affordable new homes (each a **Scottish Help to Buy Loan**) 0.61 per cent. of the Loans by Current Balance in the Cover Pool as at the date of this Prospectus are Scottish Help to Buy Loans. The shared equity loan provided by the Scottish government is secured by way of a second ranking standard security over the relevant property in Scotland. No new applications are currently being accepted under the primary Help to Buy (Scotland) schemes although some additional financial support schemes for home buyers still remain available through the Scottish government.

The second scheme in England and Wales involves a guarantee provided by the UK Government for loans made to the borrowers allowing up to a 95 per cent. LTV (each a **Help to Buy Guarantee Loan**). The guarantee loans were available for properties in England and Wales. The guarantee loans allowed lenders to purchase a guarantee on the top-slice of a mortgage meaning that the UK Government will compensate the lender for a proportion of the net losses suffered in the event of repossession. The guarantee will apply down to 80 per cent. of the purchase value of the property (i.e. up to 20 per cent. of the value is guaranteed). The guarantee will compensate lenders for the same losses and reasonable costs that the lender is entitled to recover from the borrower, in the event of foreclosure but the lenders will take a 5 per cent. share of the net losses above the 80 per cent. threshold. The Originators are subject to certain limits in respect of the aggregate amount they can claim under the Help to Buy Scheme for all loans originated by them (regardless of whether such loans have been transferred to the LLP). Characteristically, the Help to Buy loans will have a higher LTV than other loans included in the Portfolio and as such, although the Issuer will pass on some of the benefit of the guarantee to the LLP (although the benefit of the guarantee cannot be assigned to the LLP), given that the maximum amount which may be claimed by the Seller under the guarantee is capped, the guarantee may not cover all amounts in respect of the loss on a specific loan. However, the Asset Coverage Test will only assign a maximum value for the loan of up to 75 per cent. Indexed LTV, regardless of whether the loan has the benefit of the Help to Buy Scheme.

The Help to Buy Guarantee scheme closed to new loans on 31 December 2016 however participating mortgage lenders were able to continue to complete loans into the scheme until 30 June 2017, where they had an application date on or before 31 December 2016. In November 2020, the UK Government announced a new "Help to Buy" scheme to be made available to eligible borrowers from April 2021 to March 2023. The scheme involves a shared equity loan made available by the UK Government to Borrowers for the purchase of new homes of up to 20% of the cost of the new build home or up to 40% in London. The scheme is restricted to first-time buyers and includes regional upper limits on the full property purchase price. Loans made by the UK Government under the 2021-2023 Help to Buy equity scheme are each a "**Help to Buy Government Loan**". Approximately 7.0 per cent. of the Loans by Current Balance in the Portfolio as at the Provisional Pool Date are Loans where the Borrower also has a Help to Buy Government Loan in respect of the relevant property (each a "**Help to Buy Loan**").

The Help to Buy Government Loan is secured by way of a second charge mortgage on the relevant property. Following a sale of a property which benefits from a Help to Buy Government Loan, the UK Government (through Homes England) will be repaid a pro rata amount of the disposal proceeds of the property equal to the percentage of the original purchase price funded by the Help to Government Buy Loan regardless of whether the disposal value has increased or decreased relative to the original purchase price. In circumstances where the disposal proceeds are insufficient to discharge in full both

the Loan and the Help to Buy Loan secured on the property, the disposal proceeds will be applied to discharge the first ranking legal Mortgage and the remaining proceeds (if any) applied to discharge the Help to Buy Loan. Any disposal of a property which benefits from a Help to Buy Loan (including following an enforcement), will require the consent of Homes England which may result in a delay to the enforcement of the relevant Mortgage.

The second proposal announced by the UK Government to assist home buyers involves a guarantee provided by the UK Government for loans made to borrowers allowing for borrowings by potential purchasers with an up to 95 per cent. loan to value ratio (the **Mortgage Guarantee Scheme**). None of the Loans in the Portfolio benefit from the Mortgage Guarantee Scheme.

Right to Buy Loans

0.57 per cent of the Loans by Current Balance in the Cover Pool as at the date of this Prospectus are Right to Buy Loans. Properties sold under the Right to Buy scheme of the Housing Act 1985 or Housing (Scotland) Act 1987 (as amended), as applicable, are sold by the landlord at a discount to market value calculated in accordance with the Housing Act 1985 or Housing (Scotland) Act 1987 (as amended) (as applicable). A purchaser under the scheme of the Housing Act 1985 must repay the whole of the discount if he or she disposes of the property within one year of acquiring it from the landlord, four-fifths if he or she does so within two years, three-fifths if within three years, two-fifths if within four years and one-fifth if within five years, unless the offeror's offer for the disposal of the house was accepted before 18 January 2005, in which case the purchaser must repay the whole of the discount if he or she sells the property within one year, two-thirds if he or she does so within two years and one-third if within three years. A purchaser under the scheme of the Housing (Scotland) Act 1987 (as amended), must repay the whole of the discount if he or she sells the property within one year, two-thirds if he or she does so within two years and one third if within three years. The landlord obtains a statutory charge (in England and Wales) or standard security (in Scotland) in respect of the contingent liability of the purchaser under the scheme to repay the discount. Under the Housing Act 1985 or Housing (Scotland) Act 1987 (as amended) (as applicable) 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 his or her right to buy and (in Scotland) monies advanced for the purchase or improvement of the property. In England and Wales, unless the offeror's offer for the disposal of the house was accepted before 18 January 2005, 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.

The right to buy scheme in Scotland ended for all council and housing association tenants in Scotland on 1 August 2016. Tenants with a right to buy could submit their application up to 31 July 2016 with their application then being considered in the normal way. Any applications made after 31 July 2016 will not be accepted.

Mortgages and coronavirus: Tailored Support Guidance

On 20 March 2020 the FCA published guidance for, inter alia, mortgage lenders and administrators entitled 'Mortgages and coronavirus: our guidance for firms', in connection with the ongoing outbreak of Covid-19 in the UK. This guidance was updated a number of times (the **FCA Payment Deferral Guidance**).

On 16 September 2020 the Tailored Support Guidance came into force to supplement the FCA Payment Deferral Guidance. The Tailored Support Guidance has been updated and may be subject to

further updates. The Tailored Support Guidance applies to firms dealing with borrowers facing payment difficulties due to circumstances related to coronavirus who are not receiving payment deferrals under the FCA Payment Deferral Guidance, including where they are not or are no longer eligible for payment deferral. Lenders were not to give payment deferrals under the FCA Payment Deferral Guidance for payments extending beyond 31 July 2021. The Tailored Support Guidance is designed to enable firms to continue to deliver short and long-term support to borrowers affected by the evolving coronavirus pandemic and the Government's response to it. It is intended to support firms to treat borrowers affected by coronavirus fairly and to help borrowers to bridge the crisis to get back to a more stable financial position. If the borrower indicates that they continue, or reasonably expect to continue, to face payment difficulties after receiving payment deferrals under the FCA Payment Deferral Guidance, then the Tailored Support Guidance applies and unless the borrower objects, the lender may capitalise the deferred amounts. The Tailored Support Guidance remains in force until varied or revoked.

The Tailored Support Guidance provides that at the end of the payment deferral period, no payment shortfall for the purposes of MCOB 13 will arise, where the accrued amounts are repaid (this includes where sums are capitalised or repaid in a lump sum) before the next payment is due. In all other cases, mortgage lenders should regard those accrued amounts as a payment shortfall under MCOB 13 once the next payment falls due. The FCA expects lenders to be flexible and employ a full range of short and long-term forbearance options to support their borrowers and minimise avoidable financial distress, stress and anxiety experienced by customers in financial difficulty as a result of coronavirus. This may include short-term arrangements under which the lender permits the customer to make no or reduced payments for a specified period. However it should be noted that where after the end of a payment deferral period under the FCA Payment Deferral Guidance, a mortgage lender agrees to the customer making no or reduced payments for a further period (without changing the sums due under the contract) this will cause a payment shortfall that will be subject to MCOB 13 (where applicable).

The Tailored Support Guidance further provides in respect of deferral shortfalls (amount added to the shortfall because of any payment deferrals) that unless the borrower is unreasonably refusing to engage with the mortgage lender in relation to addressing the shortfall, a lender should not repossess the property without the borrower's consent solely because of a deferral shortfall. Further, in considering whether and when steps to repossess the property should be taken and whether all other reasonable attempts to resolve the position have failed, lenders should take into account that the shortfall arose by agreement with the mortgage lender and in exceptional circumstances and the borrower was not expected to address the shortfall during the payment deferral period and so may have had less time to address it.

The FCA makes clear in the FCA Payment Deferral Guidance and the 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.

There is no assurance that the FCA, or other UK government or regulatory bodies, may not take further steps in response to the Covid-19 outbreak in the UK which may impact the performance of the Mortgage Loans, including further amending and extending the scope of the above guidance.

THE PORTFOLIO

The Initial Portfolio and each New Portfolio acquired by the LLP (the **Portfolio**) consists (or will consist) of Loans and their Related Security sold by the Seller to the LLP 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*".

For the purposes hereof:

Initial Portfolio means the portfolio of Loans and their Related Security, particulars of which are set out in a document stored upon electronic media delivered to the Security Trustee or its representative on the First Transfer Date pursuant to the Mortgage Sale Agreement (other than any Loans and their Related Security which have been redeemed in full prior to the First Transfer Date), including, without limitation, all right, title, interest and benefit of the Seller in and to:

(a) all payments of principal and interest (including, for the avoidance of doubt, all Accrued Interest, Arrears of Interest, Capitalised Interest, Capitalised Expenses and Capitalised Arrears) and other sums due or to become due in respect of such Loans and Related Security including, without limitation, the right to demand, sue for, recover and give receipts for all principal monies, interest and costs and the right to sue on all covenants and any undertakings made or expressed to be made in favour of the Seller under the applicable Mortgage Conditions;

(b) subject where applicable to the subsisting rights of redemption of Borrowers, all Consent Agreements, Deeds of Postponement, MH/CP Documentation or any collateral security for the repayment of the relevant Loans;

(c) the right to exercise all of the powers of the Seller in relation thereto;

(d) all of the estate and interest in the Properties vested in the Seller;

(e) the proceeds of all claims made by or on behalf of the Seller or to which the Seller is entitled under the insurance policies in relation to any such Loan; and

(f) to the extent they are assignable, each Certificate of Title and Valuation Report (in each case where available) and any right of action of the Seller against any solicitor, licensed conveyancer, qualified conveyancer, valuer or other person in connection with any report, valuation, opinion, certificate or other statement of fact or opinion given in connection with such Loans and Related Security, or any part thereof or affecting the decision of the Seller to make or offer to make any such Loan or part thereof.

New Portfolio means in each case the portfolio of New Loans and their Related Security (other than any New Loans and their Related Security which have been redeemed in full prior to the Transfer Date or which do not otherwise comply with the terms of the Mortgage Sale Agreement as at the Transfer Date), particulars of which are set out in the relevant New Portfolio Notice or in a document stored upon electronic media (including, but not limited to, a CD-ROM) delivered to the Security Trustee or its representative, and all right, title, interest and benefit of the Seller in and to the rights and assets set out in paragraphs (a) to (f) above in relation to such New Loans and their Related Security.

A monthly report is made available to Covered Bondholders, the Security Trustee, the Bond Trustee and the Rating Agencies detailing (among other things) compliance with the Asset Coverage Test and is available on the Society's website at http://www.leedsbuildingsociety.co.uk/treasury/wholesale/covered-bonds-terms/

See also the following risk factors under "*Risk Factors – Risk Factors relating to the LLP – Limited description of the Portfolio – Maintenance of Portfolio– Changes to the Lending Criteria of the Seller*".

DESCRIPTION OF THE UK REGULATED COVERED BOND REGIME

This section is only a summary of the UK Covered Bond Regime. Prospective purchasers of Covered Bonds should consider carefully all of the information contained in this document, including the information set out below, before making any investment decision.

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) Regulation 2011 (SI 2011/2859 and the Regulated Covered Bonds (Amendment) Regulations 2012 (SI 2012/2977) (and as further amended from time to time, 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 UK on 6 March 2008.

FCA supervision and registration

The FCA performs certain supervision and enforcement related tasks in respect of the new 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 the body which regulates the financial services industry in the UK, 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 1 May 2009.

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 (among 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 (among 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 a review 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:

(a) *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.

(b) *Fixed minimum over-collateralisation requirement for principal and fixed minimum coverage requirement for interest* – under the new requirements, 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 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.

(c) *Regulatory and Investor reporting, including loan-level data* – new investor reporting requirements apply. In particular, issuers are required to make available detailed loan-level information relating to the asset pool following an issuance of regulated covered bonds after 1 January 2013. Issuers are also required to publish certain transaction documents relating to the programme. The information will be published by the Issuer at https://boeportal.co.uk/GlobalPortal/Account/Login.aspx

(d) *Asset pool monitor role* – new requirements have been introduced to formalise the role of the asset pool monitor. Under the new provisions, 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). Each issuer is required to appoint an asset pool monitor in advance of their annual confirmation of such compliance falling on or after 1 January 2013. The Issuer has appointed the Asset Monitor to undertake this role pursuant to the terms of the Asset Monitor Agreement.

See also "*Risk Factors – UK regulated covered bond regime*" and "*– 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 Partnerships Act 2000 (the **LLPA 2000**) (but not in Northern Ireland, until late 2004 under the Limited Liability Partnerships Act (Northern Ireland) 2002). 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 have been modified by the Limited Liability Partnerships Regulations 2001 and the Limited Liability Partnerships (Application of Companies Act 2006) Regulations 2009 (each 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 the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for securities that its participants (the **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. This eliminates 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 a Standard & Poor's highest rating of: AA+. The DTC Rules applicable to its 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, however, are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant's 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 Direct and Indirect 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 name 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 DTC 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 any other DTC nominee) will consent or vote with respect to DTC Covered Bonds unless authorised by a Direct Participant in accordance with DTC's MMI 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 the 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 act on behalf only 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.

DTC may discontinue providing its services as depository with respect to the DTC Covered Bonds at any time by giving reasonable notice to the Issuer or the Principal Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, DTC Covered Bonds certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, DTC Covered Bonds certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

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. In the case of any payment in a currency other than U.S. Dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Covered Bond in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. Dollars and credited to the applicable participants' account.

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 Agents 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 act on behalf only 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 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

UK TAXATION

*The comments below are of a general nature based on the Issuer's understanding of current UK law and HM Revenue & Customs' (**HMRC**) published practice and are not intended to be exhaustive. They relate only to the position of persons who are the absolute beneficial owners of their Covered Bonds and all payments made thereon and may not apply to certain classes of persons such as dealers. They do not necessarily apply where the income is deemed for tax purposes to be income of any other person. Any holders of Covered Bonds who are in doubt as to their tax position should consult their professional advisers. The following comments relate only to withholding tax treatment of payments of interest (as that term is understood for UK tax purposes) by the Issuer in respect of the Covered Bonds and to payments by the LLP in respect of the Covered Bonds. It does not deal with any other UK taxation implications of acquiring, holding or disposing of the Covered Bonds or with any other aspect of the UK taxation treatment that may be applicable to holders of Covered Bonds (including, for instance, income tax, capital gains tax and corporation tax). Prospective holders of Covered Bonds should note that the particular terms of issue of any Series of Covered Bonds as specified in the applicable Final Terms may affect the tax treatment of that and any other Series of Covered Bonds and should be treated with appropriate caution. The UK tax treatment of prospective holders of Covered Bonds depends on their individual circumstances and may be subject to change in the future. The comments below do not deal with the tax consequences of any substitution of the Issuer in accordance with Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution) of the Covered Bonds.*

Holders of Covered Bonds who may be liable to taxation in jurisdictions other than the UK in respect of their acquisition, holding or disposal of Covered Bonds are particularly advised to consult their professional advisers as to whether they are so liable (and, if so, under the laws of which jurisdictions). In particular, holders of Covered Bonds 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 UK.

Payment of interest by the Issuer in respect of the Covered Bonds

Payments of interest by the Issuer on the Covered Bonds may be made without deduction of or withholding on account of UK income tax provided that the Covered Bonds carry a right to interest and are and continue to be listed on a "recognised stock exchange" within the meaning of Section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes and securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the FSMA) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Covered Bonds carry a right to interest and are and remain so listed, interest on the Covered Bonds will be payable by the Issuer without withholding or deduction for or on account of UK income tax.

In other cases, if the Covered Bonds are capable of being listed on a "recognised stock exchange" at the time the interest on the Covered Bonds becomes payable, an amount must generally be withheld from such payments on account of UK income tax at the basic rate (currently 20 per cent.), subject to any other available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a holder of Covered Bonds, HMRC can issue a notice to the Issuer to pay interest to the Covered Bondholder without withholding or deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty). If payments by the Issuer are subject to any withholding or deduction for or on account of UK tax, the Issuer may be required to pay additional amounts to cover the amount so withheld or deducted as described in Condition 7 (Taxation) of the Covered Bonds.

Payments by the LLP

The UK withholding tax treatment of payments by the LLP under the terms of the Covered Bond Guarantee which have a UK 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 UK 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, as amended, commonly known as **FATCA**, a "**foreign financial institution**" (as defined by FATCA, and including an intermediary through which Covered Bonds are held) may be required to withhold at a rate of 30 per cent. on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the UK) 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 the 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, pursuant to proposed regulations (the preamble to which specifies that taxpayers may rely on them pending finalisation) such withholding would not apply to foreign passthru payments prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published with the U.S. Federal Register. Additionally, Covered Bonds that are characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal income tax purposes that are 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.

CERTAIN U.S. REGULATORY CONSIDERATIONS

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 (the **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) 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

The Dealers have, in a programme agreement dated 2 October 2008, as amended and restated on 5 October 2010, 5 December 2017, 6 December 2018, 12 December 2019, 15 December 2020 and 14 December 2021 (as the same may be amended and/or supplemented and/or restated from time to time) (the **Programme Agreement**) between, among others, the Issuer and the LLP a basis upon which such Dealers or any of them may from time to time agree to purchase Covered Bonds. Any such agreement for any particular purchase by a Dealer will extend to those matters stated under "*Form of the Covered Bonds and Terms and Conditions of the Covered Bonds*" above. The Issuer may pay the Dealers commission from time to time in connection with the sale of any Covered Bonds, and, in the Programme Agreement, the Issuer has agreed to reimburse and indemnify the Dealers for certain of their expenses and liabilities in connection with the establishment and any future updates of the Programme and the issue of Covered Bonds under the Programme. The Dealers are entitled to be released and discharged from their obligations in relation to any agreement to issue and purchase Covered Bonds under the Programme Agreement in certain circumstances prior to payment to the Issuer.

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 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 an 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 the securities laws or "blue sky" laws of any state of the United States or other territory and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(iii) that neither the Issuer nor the Guarantor 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; (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available); or (e) 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 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;

(vi) 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 offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Covered Bonds;

(vii) that the Covered Bonds, other than the Regulation S Global Covered Bonds, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS 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, SOLD OR DELIVERED 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 OR BENEFIT 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).

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISION OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.";

(viii) 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 HAS 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, SOLD OR DELIVERED 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 OR IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS 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 OF 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 OR 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."; and

(ix) 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 Legended Covered Bonds in the United States to any one purchaser will be for less than U.S.$100,000 (or the approximate equivalent in another Specified Currency) principal amount and no Legended 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.$250,000 (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.$250,000 (or the approximate equivalent in another Specified Currency).

Bearer Covered Bonds, including Temporary Global Covered Bonds, Permanent Global Covered Bonds and Bearer Definitive Covered Bonds, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS 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, SOLD OR DELIVERED 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 OR IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS 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 OF 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 OR 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."

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 rules are 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.

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 may not be offered, sold or delivered 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 and any applicable local, state or federal securities laws. 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. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Bearer Covered Bonds, other than Bearer Covered Bonds with an initial maturity of one year or less (taking into account any unilateral right to extend or rollover), will be issued in accordance with the provisions of TEFRA D unless (i) the applicable Final Terms state that the Covered Bonds are issued in accordance with the provisions of TEFRA C or (ii) the Covered Bonds are issued other than in compliance with TEFRA D or TEFRA C but in circumstances in which the Covered Bonds will not constitute "registration required obligations" under TEFRA, which circumstances will be referred to in the applicable Final Terms as a transaction to which TEFRA is not applicable. Terms used in this paragraph have the meanings given to them by the Code and regulations promulgated thereunder, including TEFRA C and TEFRA D.

In connection with any Covered Bonds which are offered, sold or delivered outside the United States in reliance on Regulation S (**Regulation S Covered Bonds**), 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 such Regulation S Covered Bonds: (i) as part of its distribution at any time; or (ii) otherwise until 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, and except in either case in accordance with Regulation S under the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Covered Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S 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 under the Securities Act.

Until 40 days after the commencement of the offering of a Tranche of Covered Bonds, an offer or sale of such Covered Bonds within the United States by any dealer (whether or not participating in the offering) 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.$100,000 (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.

UK

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Covered Bonds that have a maturity of less than one year: (i) it is a person whose ordinary activities involve it acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered, sold or delivered and will not offer, sell or deliver any Covered Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or 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 such Covered Bonds would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) 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 LLP or, in the case of the Issuer would not, if it was not an authorised person, apply to the Issuer; and

(c) 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 UK Retail Investors

Unless the Final Terms in respect of any Covered Bonds specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", 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 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; or

(iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and

(b) the expression 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

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the offering of the Covered Bonds has not been registered pursuant to Italian securities 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 Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the EU Prospectus Regulation and any applicable provision of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and Italian CONSOB (as defined below) regulations; or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the EU Prospectus Regulation and Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, (as amended from time to time) and the applicable Italian law.

Any offer, sale or delivery of the Covered Bonds or distribution of copies of the Prospectus or any other document relating to the Covered Bonds in the Republic of Italy under paragraph (i) or (ii) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Italian Banking Act**); and

(b) in compliance with any other applicable laws and regulations or requirement imposed by Commissione Nazionale per le Società e la Borsa (**CONSOB**), the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy (as amended from time to time) and/or any other Italian authority.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Covered Bonds specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", 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 EEA. 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 or superseded, 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; or

(iii) not a qualified investor as defined in the EU Prospectus Regulation; 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.

If the Final Terms in respect of any Covered Bonds specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each member state of the European Economic Area (each a **Relevant State**), 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 made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant State except that it may make an offer of such Covered Bonds to the public in that Relevant State:

(a) at any time to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

provided that no such offer of Covered Bonds referred to in paragraphs (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purposes of this provision:

(a) the expression an **offer of Covered Bonds to the public** in relation to any Covered Bonds in any Relevant State means 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 Covered Bonds; and

(b) the expression **EU Prospectus Regulation** means Regulation (EU) 2017/1129.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Covered Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the LLP, the Bond Trustee, the Security Trustee nor any of the other Dealers has any responsibility therefor. Furthermore, they will not 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 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.

This Prospectus may be used by the Dealers for offers and sales related to market-making transactions in the Covered Bonds. Any or each of the Dealers may act as principal or agent in these transactions. These sales will be made at prices relating to prevailing market prices at the time of sale. None of the Dealers has any obligation to make a market in the Covered Bonds, and any market-making may be discontinued at any time without notice. The Dealers are participating in the initial distribution of the Covered Bonds.

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 dated 22 September 2008 and a committee appointed by the board of directors of the Society dated 2 October 2008. The giving of the Covered Bond Guarantee has been duly authorised by the members of the LLP dated 2 October 2008.

The update of the Programme, has been duly authorised by a resolution of a committee appointed by the board of directors of the Issuer dated 24 November 2022 and a resolution of the Management Committee of the LLP dated 13 December 2022.

Listing of Covered Bonds

The admission of Covered Bonds to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Covered Bonds which is to be admitted to the Official List and to trading on the main market of the London Stock Exchange will be admitted separately as and when issued, subject only to the issue of a Temporary Global Covered Bond, a Permanent Global Covered Bond, a Regulation S Global Covered Bond or a Rule 144A Global Covered Bond, as the case may be, initially representing the Covered Bonds of such Tranche. The listing of the Programme in respect of Covered Bonds is expected to be granted on or about 4 January 2023.

Documents Available

So long as Covered Bonds are capable of being issued under the Programme, copies of the following documents will, when published, be available to the Covered Bondholders during usual business hours and upon reasonable notice on any weekday (Saturdays, Sundays and public holidays excepted) from the principal office of the Issuer and from the specified office of the Paying Agent for the time being in London copies of such documents may, at the Paying Agent's option be provided electronically or at https://www.leedsbuildingsociety.co.uk/treasury/#:

(i) the constitutive documents of the LLP and the Issuer;

(ii) the consolidated audited financial statements of the Issuer in respect of the financial periods ended 31 December 2021 and 31 December 2020. The Issuer currently prepares audited accounts on an annual basis;

(iii) the most recently published audited annual financial statements of the Issuer and the LLP and the most recently published consolidated unaudited interim financial statements (if any) of the Issuer. The Issuer currently prepares unaudited consolidated and non-consolidated interim accounts on a semi-annual basis. The LLP currently prepares audited non-consolidated accounts on an annual basis;

(iv) the forms of the Global Covered Bonds, the Definitive Covered Bonds, the Coupons and the Talons;

(v) a copy of this Prospectus;

(vi) any future prospectuses, information memoranda and supplements including Final Terms to this Prospectus and any other documents incorporated herein or therein by reference; and

(vii) each Transaction Document.

In addition, copies of this Prospectus, any documents incorporated by reference and each Final Terms relating to the Covered Bonds which are admitted to trading on the main market of the London Stock Exchange 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 Systems

The Bearer Covered Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Bearer Covered Bonds allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable 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. If the Covered Bonds are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Final Terms.

Significant or Material Change

There has been no significant change in the financial performance or the financial position of the Issuer or the Leeds Group since 30 June 2022, being the date to which the Leeds Group's last published unaudited interim financial information (as set out in the Interim Financial Report 2022) was prepared.

There has been no material adverse change in the prospects of the Issuer since 31 December 2021, being the date to which the Issuer's last published audited financial information (as set out in the Issuer's 2021 Annual Report) was prepared.

There has been no significant change in the financial performance or the financial position of the LLP nor any material adverse change in the prospects of the LLP since 31 December 2021, being the date of the last audited non-consolidated annual accounts of the LLP.

Litigation

There are no governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened) of which the Issuer or the LLP is aware in the 12 months preceding the date of this document which may have or have had in the recent past a significant effect on the financial position or profitability of the Issuer, the LLP or the Leeds Group.

Auditors

The auditor of the Issuer is Deloitte LLP, registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales, who have audited the Issuer's accounts, without qualification, in accordance with generally accepted auditing standards in the UK for each of the financial years ended on 31 December 2021 and 31 December 2020.

The auditor of the LLP is Deloitte LLP, registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. The LLP has prepared financial statements for the year ended on 31 December 2021 and 31 December 2020.

Legal Entity Identifier

The Legal Entity Identifier (LEI) of the Issuer is O8VR8MK4M5SM9ZVEFS35.

Reports

The Trust Deed provides that the Bond 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 and the relevant person in connection therewith, contains any monetary or other limit on the liability of the relevant person. However, the Bond Trustee will have no recourse to the Auditors in respect of such certificates or reports unless the Auditors have agreed to address such certificates or reports to the Bond Trustees.

In addition, the Issuer is required, pursuant to the terms of the RCB Regulations, to provide loan-level information relating to the 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 the website of the Issuer (see: https://www.leedsbuildingsociety.co.uk/treasury/wholesale/covered-bonds/). Websites and URLs referred to herein do not form part of this Prospectus.

Post-issuance information

The Issuer provides monthly Investor Reports detailing, among other things, compliance with the Asset Coverage Test and certain information on the characteristics of the underlying Portfolio. Investor Reports shall be posted on the Leeds website at http://www.leedsbuildingsociety.co.uk/treasury/wholesale/covered-bonds-terms/. The Investor Reports will not form part of this Prospectus. Copies of the applicable Final Terms for each series are available to Covered Bondholders during normal business hours at the registered office of the Issuer and at the specified office of each of the Paying Agents copies of such documents may, at the Paying Agent's option be provided electronically. In addition, the Issuer is required, pursuant to the terms of the RCB Regulations, to provide loan-level information relating to the Loans in the Asset Pool.

Please note that the websites and URLs referred to herein do not form part of this prospectus.

Material Contracts

There are no material contracts which have been entered into outside the ordinary course of the Issuer's business, and which could result in any member of the Leeds Group being under an obligation or entitlement that is material to its ability to meet its obligation to Covered Bondholders in respect of the Covered Bonds being issued.

GLOSSARY

30/360, 360/360, or Bond Basis	The meaning given in Condition 4(b)(iv)(E) on page 106;
30E/360 or Eurobond Basis	The meaning given in Condition 4(b)(iv)(F) on page 106;
1999 Regulations	The Unfair Terms in Consumer Contracts Regulations 1999, as amended;
2012 Act	The Land Registration etc. (Scotland) Act 2012;
2016 Act	Private Housing (Tenancies) (Scotland) Act 2016;
2022 Act	The Cost of Living (Tenant Protection) (Scotland) Act 2022;
€ or euro	The lawful currency for the time being of the member states of the EU that have adopted or may adopt the single currency in accordance with the treaty on the establishing the European Community (signed in Rome on 25 March 1957), as amended by the treaty on the EU;
£ and Sterling	The lawful currency for the time being of the UK of Great Britain and Northern Ireland;
$ and U.S. Dollars	The lawful currency for the time being of the United States of America;
¥, Yen and JPY	The lawful currency for the time being of Japan;
Account Bank	The Society in its capacity as account bank under the Bank Account Agreement together with any successor account bank appointed from time to time;
Account Bank Relevant Event	(a) a termination of the Bank Account Agreement pursuant to Clause 7 of that Agreement; or (b) the total amounts standing to the credit of the LLP Accounts held with the Account Bank exceeding 20 per cent. of the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds;
Accrual Period	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;
Accrued Interest	In respect of a Loan as at any date the aggregate of all interest accrued but not yet due and payable on the Loan from (and including) the Monthly Payment Date immediately preceding the relevant date to (but excluding) the relevant date;
Accumulation Series of Covered Bonds	The meaning given on page 8;
Actual/Actual (ICMA)	The meaning given in Condition 4(a)(i) on page 98;

Actual/Actual or Actual/Actual (ISDA)	The meaning given in Condition 4(b)(iv)(A) on page 105;
Actual/360	The meaning given in Condition 4(b)(iv)(D) on page 106;
Actual/365 (Fixed)	The meaning given in Condition 4(b)(iv)(B) on page 106;
Actual/365 (Sterling)	The meaning given in Condition 4(b)(iv)(C) on page 106;
Additional Loan Advance	A further drawing (including, but not limited to, Further Advances) in respect of Loans sold by the Seller to the LLP;
Adjusted Aggregate Loan Amount	The meaning given in "*Summary of the Principal Documents*" on page 170;
Adjusted Required Redemption Amount	The Sterling Equivalent of the Required Redemption Amount, plus or minus the Sterling Equivalent of any swap termination amounts payable under the Covered Bond Swap Agreement to or by the LLP 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 (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 or minus any swap termination amounts payable to or by the LLP under the Interest Rate Swap Agreement;
Agency Agreement	The agency agreement (as amended and/or supplemented and/or restated from time to time) dated the Programme Date and made between the Issuer, the LLP, the Bond Trustee, the Principal Paying Agent, the Agent Bank, the Exchange Agent, the Registrar and the Transfer Agent;
Agent	Each of the Paying Agents, the Registrar, the Agent Bank, the Exchange Agent and the Transfer Agent;
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;
Amortisation Test Aggregate Loan Amount	The meaning given in "*Summary of the Principal Documents*" on page 173;
Amortisation Test True Balance	The meaning given in "*Summary of the Principal Documents*" on page 173;
Amortised Face Amount	The meaning given in "*Terms and Conditions of Covered Bonds*" on page 118;

Arrangers	Barclays Bank PLC and HSBC Bank plc;
Arrears Adjusted True Balance	The meaning given in "*Summary of the Principal Documents*" on page 171;
Arrears of Interest	As at any date in respect of any Loan, interest (other than Capitalised Interest or Accrued Interest) on that Loan which is currently due and payable and unpaid on that 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	Deloitte LLP or any replacement appointed as such under the Asset Monitor Agreement;
Asset Monitor Agreement	The asset monitor agreement (as amended and/or supplemented and/or restated from time to time) entered into on the Programme Date 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, the Bond Trustee and the Security Trustee;
Asset Percentage	The meaning given in "*Summary of the Principal Documents*" on page 172;
Asset Pool	All assets of the LLP from time to time including but not limited to the Portfolio, any Substitution Assets, any Authorised Investments, the rights of the LLP in the Transaction Documents, the LLP 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;
Authorised Investments	(a) Sterling gilt-edged securities; and (b) Sterling demand or time deposits, certificates of deposit and short-term debt obligations 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 three other internationally recognised rating agencies, provided that such Authorised Investments comply with the requirements of Regulation 2(1)(a) of the RCB Regulations;

Authorised Underpayment

A Borrower making either no Monthly Payment under a Loan or a payment in an amount less than the Monthly Payment then due on the Loan, in each case, where the Seller has authorised such underpayment or non-payment;

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 Portfolios or invest in Substitution Assets); (ii) any Cash Capital Contributions received from a Member (other than any Cash Capital Contribution: (a) to the extent representing any Required Coupon Amount or any Required Coupon Amount Shortfall; or (b) to fund the Reserve Fund up to the Reserve Fund Required Amount and/or, as applicable, to fund the LBS Reserve Fund up to the LBS Reserve Fund Required Amount); (iii) the proceeds from any sale of Selected 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 (iv) any amounts credited in accordance with clause 14.7 or Clause 17.7 of the LLP Deed; and

(c) any Excess Proceeds;

excluding (for the avoidance of doubt):

(d) any Swap Collateral Excluded Amounts;

(e) Tax Credits and any amount received by the LLP from a Member in respect of Tax Credits;

(f) sums previously provided for to meet future obligations under the Covered Bond Swap Agreements pursuant to (i) item (c) of the Pre-Acceleration Principal Priority of Payments and/or (ii) item (f) of the Guarantee Priority of Payments; and

(g) Swap Provider Tax Payments received from Swap Providers;

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 (but, for the avoidance of doubt, excluding any Revenue Receipts received in the Calculation Period beginning in the month in which the relevant Calculation Date falls);

(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 Agreement or a Covered Bond Swap Agreement (other than any premium received by the LLP not used to make a termination payment or any termination payment received by the LLP not used to pay any premium and any amounts credited to the Reserve Ledger in accordance with Clause 13.5 or Clause 17.7 of the LLP Deed);

(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 and amounts standing to the credit of the LBS Reserve Fund in excess of the LBS 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) amounts standing to the credit of the Coupon Payment Ledger in excess of the Required Coupon Amount for the next following LLP 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 the payment date specified in the Covered Bond Swap which relates to such Series of Covered Bonds, in respect of those Series of Covered Bonds that have a Covered Bond Swap in place and/or the 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 Periods; and

(f) following the service on the LLP of a Notice to Pay, amounts standing to the credit of the Reserve Fund;

excluding (for the avoidance of doubt):

(a) Third Party Amounts, which shall be paid on receipt in cleared funds to the Seller;

(b) Swap Collateral Excluded Amounts;

(c) Tax Credits and any amount received by the LLP in respect of Tax Credits;

(d) sums previously provided for to meet future obligations under the Covered Bond Swap Agreements pursuant to (i) item (e) of the Pre-Acceleration Revenue Priority of Payments and/or (ii) item (e) of the Guarantee Priority of Payments;

(e) Swap Provider Tax Payments received from the Swap Providers;

(f) any amount standing to the credit of the Coupon Payment Ledger representing the Required Coupon Amount as at the next following LLP Payment Date; and

(g) any amount standing to the credit of the Interest Accumulation Ledger;

Bank Account Agreement The bank account agreement (as amended and/or supplemented and/or restated from time to time) entered into on the Programme Date between the LLP, the Account Bank, the Cash Manager and the Security Trustee;

Banking Act The Banking Act 2009, as amended;

Bearer Covered Bonds Covered Bonds in bearer form;

Bearer Definitive Covered Bonds 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 Programme 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 or Lead Manager (in the case of syndicated Issues) 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 and, where appropriate, Talons attached thereto on issue;
Bearer Global Covered Bond	The meaning given on page 74;
Beneficial Owner	Each actual purchaser of each DTC Covered Bond;
Bond Trustee	Deutsche Trustee Company Limited, in its capacity as bond trustee under the Trust Deed together with any successor bond trustee appointed from time to time under the Trust Deed;
Borrower	In relation to a Loan, the individual or individuals specified as such in the relevant Mortgage together with the individual or individuals (if any) from time to time assuming an obligation to repay such Loan or any part of it;
Buildings Insurance Policies	All buildings insurance policies relating to Properties taken out (a) in the name of the relevant Borrower, and (b) in the name of the landlord in the case of leasehold properties or commonhold properties where the relevant landlord is responsible for insuring the Property;
Building Societies Act	Building Societies Act 1986, as amended;
Business Day	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 100;
Calculation Agent	In relation to all or any Series of the Covered Bonds, the person initially appointed as calculation agent in relation to such Covered Bonds by the Issuer and the LLP pursuant to the Agency Agreement or, if applicable, any successor or separately appointed calculation agent in relation to all or any Series of the Covered Bonds;
Calculation Amount	The meaning given in the applicable Final Terms Document;
Calculation Date	The 12th day of each month (or, if that day is not a Business Day, then the immediately preceding Business Day). The first Calculation Date was on the 12th day of October 2008;
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 Balance	For a Loan at any date the principal balance of that Loan to which the Servicer applies the relevant interest rate at which interest on that Loan accrues;
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 Contributions 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 Loans and their Related Security to the LLP in an amount equal to: (a) the aggregate of the True Balance of those Loans as at the relevant Transfer Date; minus (b) any cash payment paid by the LLP for such Loans and their Related Security on that Transfer Date;
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 Arrears	For any Loan at any date, interest or other amounts which are overdue in respect of that Loan and which as at that date have been added to the Capital Balance of the Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower;
Capitalised Expenses	In relation to a Loan, the amount of any expense, charge, fee, premium or payment (excluding, however, any Arrears of Interest) capitalised and added to the Capital Balance of that Loan in accordance with the relevant Mortgage Conditions;
Capitalised Interest	For any Loan at any date, Arrears of Interest in respect of that Loan and which as at that date has been added to the Capital Balance of that Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower (excluding for the avoidance of doubt any Arrears of Interest which have not been so capitalised on that date);
Cash Capital Contributions	A Capital Contribution made in cash;
Cash Management Agreement	The cash management agreement (as amended and/or supplemented and/or restated from time to time) entered into on the Programme Date between the LLP, the Society in its capacity as the Cash Manager and the Security Trustee;
Cash Manager	The Society, in its capacity as cash manager under the Cash Management Agreement together with any successor cash manager appointed from time to time;

Cash Manager Relevant Event	If the Cash Manager and the Issuer are the same entity, the Cash Manager's long-term unsecured, unguaranteed and unsubordinated debt obligations cease to be rated at least Baa1 by Moody's or BBB by Fitch;
CB Collection Account	An account opened in the name of the Seller with HSBC or such other entity where the Seller has its principal collection account into which all amounts received in relation to the Loans and Related Security may be transferred in accordance with Clause 5.1 of the Servicing Deed;
CCA	Consumer Credit Act 1974, as amended;
CCA 2006	Consumer Credit Act 2006, as may be amended from time to time;
Certificate of Title	A solicitor's, licensed conveyancer's or (in Scotland) qualified conveyancer's report or certificate of title obtained by or on behalf of the Seller in respect of each Property substantially in the form of the pro forma set out in the Standard Documentation;
CGCB	The meaning given on page 96;
Charged Property	The property charged by the LLP pursuant to the Deed of Charge;
Clearing Systems	DTC, Euroclear and/or Clearstream, Luxembourg;
Clearstream, Luxembourg	Clearstream Banking S.A.;
CML Code	The Mortgage Code issued by the Council of Mortgage Lenders;
Common Depositary	The common depositary for Euroclear and Clearstream, Luxembourg;
Common Safekeeper	The common safekeeper for Euroclear and Clearstream, Luxembourg;
Conditions	Terms and conditions of the Covered Bonds;
Consent Agreement	An agreement whereby a person in or intended to be in occupation of a Property agrees with the Seller to postpone his or her interest (if any) in the Property so that it ranks after the interest created in the relevant Mortgage;
Corporate Services Agreement	The corporate services agreement (as amended and/or supplemented and/or restated from time to time) entered into between each of the Designated Members, Holdings, the Corporate Services Provider and the LLP on the Programme Date;

Corporate Services Provider	Intertrust Management Limited (formerly known as Structured Finance Management Limited), a company incorporated in England and Wales in its capacity as corporate services provider to Holdings, the First Designated Member and the Second Designated Member under the Corporate Services Agreement, together with any successor corporate services provider appointed from time to time;
Couponholders	The holders of the Coupons (which expression shall, unless the context otherwise requires, include the holders of the Talons);
Coupon Payment Ledger	The ledger maintained by the Cash Manager on the GIC Account or, as applicable, the Stand-by GIC Account, pursuant to the Cash Management Agreement, to record the crediting of Required Coupon Amounts and any debiting of the same;
Coupons	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 92;
Covered Bond	Each covered bond issued or to be issued pursuant to the Programme Agreement and which is or is to be constituted under the Trust Deed, which covered bond may be represented by a Global Covered Bond or any Definitive Covered Bond and includes any replacements or a Covered Bond issued pursuant to Condition 10;
Covered Bond Guarantee	An unconditional and irrevocable guarantee by the LLP in the Trust Deed for the payment of Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment or (following service of an LLP Acceleration Notice) on an accelerated basis;
Covered Bond Swap	Swap transactions governed by the Covered Bond Swap Agreements;
Covered Bond Swap Agreement	Each agreement between the LLP and a Covered Bond Swap Provider governing Covered Bond Swaps entered into with such Covered Bond Swap Provider in the form of an ISDA Master Agreement, including a schedule and confirmations in relation to each such Covered Bond Swap;
Covered Bond Swap Early Termination Event	The meaning given in "*Summary of the Principal Documents*" on page 185;
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, as applicable, or, if the Covered Bond Swap Agreement has terminated, the applicable spot rate;

Covered Bondholders	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 92;
CRD IV	The meaning given on page 31;
Credit Linked Covered Bonds	Covered Bonds in respect of which payments will be calculated by reference to the creditworthiness of, performance of obligations by or some other factor relating to one or more Reference Entities, as set out in the applicable Final Terms;
Custodian	Any custodian with whom the relevant Registered Global Covered Bonds have been deposited;
Custody Agreement	The custody agreement (as amended and/or supplemented and/or restated from time to time) entered into on 30 August 2016 between the LLP, the Securities Custodian, the Cash Manager, the Seller and the Security Trustee;
Day Count Fraction	In the case of a Fixed Rate Covered Bond, the meaning given in Condition 4(a) in "*Terms and Conditions of the Covered Bonds*" on page 98 and in the case of a Floating Rate Covered Bond, the meaning given in Condition 4(b) in "*Terms and Conditions of the Covered Bonds*" on page 105;
Dealer	Each of Barclays Bank PLC and HSBC Bank plc and any other dealers appointed from time to time in accordance with the Programme Agreement, which appointment may be for a specific issue or on an ongoing basis. References in this Prospectus to the relevant Dealer(s) 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;
Deed of Charge	The deed of charge (as amended and/or supplemented from time to time) entered into between the LLP, the Bond Trustee, the Security Trustee and certain other Secured Creditors on the Programme Date and supplemented and amended on 2 October 2009;
Deed of Postponement	A deed or agreement whereby a mortgagee of or the heritable creditor in relation to a Property agrees with the Seller to postpone its mortgage or standard security (as appropriate) over the Property so that the sums secured by it will rank for repayment after the sums secured by the relevant Mortgage;
Defaulted Loan	Any Loan in the Portfolio which is more than three months in arrears;
Defaulted Loans Notice	A notice from the Cash Manager to the Seller identifying any Defaulted Loan;
Deferred Consideration	The consideration payable to the Seller in respect of the 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 Regulation S Covered Bond	A Registered Covered Bond in definitive form sold to non-U.S. persons outside the United States in reliance on Regulation S;
Definitive Rule 144A Covered Bond	A Registered Covered Bond in definitive form sold to QIBs pursuant to Rule 144A;
Dematerialised Loan	A Loan completed on or after 1 January 2004 over a Property located in England or Wales in respect of which the Seller does not retain the Title Deeds;
Deposit Set Off Amount	For each Borrower whose Loan is included in the Portfolio, the lesser of (a) 100 per cent. of the aggregate balance of each savings account held at the Seller by such Borrower (whether such savings account is a joint account or not and whether such other joint savings account holder is a Borrower under a Loan in the Portfolio or not and to avoid double counting, such savings balance shall only be included in the calculation once) and (b) the aggregate True Balance of such Borrower's Loan which is included in the Portfolio, in each case as calculated on any day after the last day of the immediately preceding Calculation Period but prior to the Calculation Date;
Designated Account	The meaning given in Condition 5(d) in "*Terms and Conditions of the Covered Bonds*" on page 110;
Designated Bank	The meaning given in Condition 5(d) in "*Terms and Conditions of the Covered Bonds*" on page 110;
Designated Maturity	The meaning given in the ISDA Definitions;
Designated Member	Each of the First Designated Member and the Second Designated Member, except that for the purposes of the statutory duties referred to on page 166 of this prospectus, Designated Members shall mean the Members appointed and registered as such from time to time and having those duties and obligations set out in sections 8 and 9 of the LLPA 2000 being, as at the date of this Prospectus, Leeds Building Society, the First Designated Member and the Second Designated Member;
Determination Date	The meaning given in the applicable Final Terms;
Determination Period	The meaning given in Condition 4(a) in "*Terms and Conditions of the Covered Bonds*" on page 99;
Direct Participants	The meaning given in "*Book-Entry Clearance Systems*" on page 99;

Directors	The board of directors for the time being of the Issuer;
Distribution Compliance Period	The meaning given in Regulation S under the Securities Act;
DTC	The Depository Trust Company;
DTC Covered Bonds	Covered Bonds accepted into DTC's book-entry settlement system;
DTCC	The Depository Trust & Clearing Corporation;
Due for Payment	The requirement by the LLP to pay any Guaranteed Amounts following the delivery of a Notice to Pay on the LLP, prior to the occurrence of an LLP Event of Default, on: (a) 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 (the Original Due for Payment Date); and (b) in relation to any Guaranteed Amounts in respect of the Final Redemption Amount payable on the Final Maturity Date for a Series of Covered Bonds only, the Extended Due for Payment Date, but only: (i) if in respect of the relevant Series of Covered Bonds the Covered Bond Guarantee is subject to an Extended Due for Payment Date pursuant to the terms of the applicable Final Terms; and (ii) to the extent that the LLP having received a Notice to Pay no later than the date falling one Business Day prior to the Extension Determination Date does not pay Guaranteed Amounts equal to the Final Redemption Amount in respect of such Series of Covered Bonds by the Extension Determination Date because the LLP has insufficient monies available under the Guarantee Priority of Payments to pay such Guaranteed Amounts in full on the earlier of: (a) the date which falls two Business Days after service of such Notice to pay on the LLP or, if later, the Final Maturity Date (or, in each case, after the expiry of the grace period set out in Condition 9(b)(i)) under the terms of the Covered Bond Guarantee; or (b) the Extension Determination Date, or, if, in either case, such day is not a Business Day, the next following Business Day. For the avoidance of doubt, Due for Payment does not refer to any earlier

	date upon which payment of any Guaranteed Amounts may become due under the guaranteed obligations, by reason of prepayment, acceleration of maturity, mandatory or optional redemption or otherwise save as provided in paragraph (c) below; or
	(c) following the occurrence of an LLP Event of Default, the date on which an LLP Acceleration Notice is served on the Issuer and the LLP;
Earliest Maturing Covered Bonds	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;
Eligibility Criteria	The meaning given on page 152;
English Loans	Loans secured by a Mortgage over a Property located in England or Wales;
EU	European Union;
EU CRR	The meaning given on page 31;
EU EMIR	Regulation (EU) 648/2012;
EU Prospectus Regulation	Regulation (EU) 2017/1129;
EURIBOR	Eurozone inter-bank offered rate;
Euro Stand-by Transaction Account	The meaning given on page 187;
Euroclear	Euroclear Bank SA/NV;
Excess Proceeds	Monies received (following the occurrence of an Issuer Event of Default and delivery of an Issuer Acceleration Notice) by the Bond Trustee from the Issuer or any administrator, administrative receiver, receiver, liquidator, trustee in sequestration or other similar official appointed in relation to the Issuer;
Exchange Act	The U.S. Securities Exchange Act of 1934, as amended;
Exchange Agent	Deutsche Bank Trust Company Americas in its capacity as exchange agent (which expression shall include any successor exchange agent);
Exchange Date	On or after the date which is 40 days after a Temporary Global Covered Bond is issued;

Exchange Event	In the case of Bearer Covered Bonds, the meaning given in "*Form of Covered Bonds*" on page 75 and in the case of Registered Covered Bonds, the meaning given in "*Form of Covered Bonds*" on page 77;
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;
Executives	The executives for the time being of the Issuer;
Existing Covered Bonds	The Covered Bonds of all Series then outstanding;
Extended Due for Payment Date	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	In respect of a Series of Covered Bonds, the date falling two Business Days after the expiry of seven days from (and including) the Final Maturity Date of such Series of Covered Bonds;
Extraordinary Resolution	A resolution of the Covered Bondholders passed as such under the terms of the Trust Deed;
FCA	Financial Conduct Authority;
FCA Payment Deferral Guidance	The meaning given in "*Further Information Relating to Mortgages in the UK – Mortgages and coronavirus: Tailored Support Guidance"* on page 230;
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;
Final Terms	Final terms which, with respect to Covered Bonds to be admitted to the Official List and admitted to trading on the main market of the London Stock Exchange, will be delivered to the FCA and the London Stock Exchange on or before the date of issue of the applicable Tranche of Covered Bonds;
First Transfer Date	The date on which the Initial Portfolio is sold to the LLP pursuant to the Mortgage Sale Agreement;
Fitch	Fitch Ratings Ltd.;

Fixed Interest Period	The meaning given in Condition 4(a) in "*Terms and Conditions of the Covered Bonds*" on page 98;
Fixed Rate Covered Bonds	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);
Floating Rate	The meaning given in the ISDA Definitions;
Floating Rate Convention	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 100;
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 Option	The meaning given in the ISDA Definitions;
Following Business Day Convention	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 100;
FCA	Financial Conduct Authority;
FSA	Financial Services Authority;
FSMA	Financial Services and Markets Act 2000, as amended;
Funding and Mutual Societies Transfers Act	Building Societies (Funding) and Mutual Societies (Transfers) Act 2007;
Further Advance	In relation to a Loan, any advance of further money to the relevant Borrower following the making of the Initial Advance, which is secured by the same Mortgage as the Initial Advance, excluding the amount of any retention in respect of the Initial Advance;
GIC Account	The account, designated as such, in the name of the LLP held with the Account Bank and maintained subject to the terms of the Bank Account Agreement and the Deed of Charge or such additional or replacement account as may be for the time being

	be in place with the prior consent of the Security Trustee (including the Stand-by GIC Account);
Global Covered Bond	A Bearer Global Covered Bond and/or Registered Global Covered Bond, as the context may require;
Guarantee Priority of Payments	The meaning given in "*Cashflows*" on page 116;
Guaranteed Amounts	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 at 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;
HMRC	HM Revenue & Customs;
Holdings	Leeds Covered Bonds Holdings Limited a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 6694712);
ICB	The Independent Commission on Banking;
Indexed Valuation	At any date in relation to any Loan secured over any Property: (a) where the Latest Valuation obtained by the Issuer of that Property is equal to or greater than (i) up to and including 30 September 2020, the indexed valuation of the relevant Property as determined by the Issuer acting as a Reasonable, Prudent Mortgage Lender as at that date, the indexed valuation of the relevant Property as determined by the Issuer acting as a Reasonable, Prudent Mortgage Lender and (ii) from and including 1 October 2020, the UK House Price Indexed Valuation as at that date, the UK House Price Indexed Valuation; or (b) where the Latest Valuation obtained by the Issuer of that Property is less than (i) up to and including 30 September 2020, the indexed valuation of the relevant Property as determined by the Issuer acting as a Reasonable, Prudent Mortgage Lender as at that date, the Latest Valuation plus 85 per cent. of the difference between the Latest Valuation and the indexed valuation of the relevant Property as determined by the Issuer acting as a Reasonable, Prudent Mortgage Lender and (ii) from and including 30 September

2020, the UK House Price Indexed Valuation, the Latest Valuation plus 85 per cent. of the difference between the Latest Valuation and the UK House Price Indexed Valuation;

Indirect Participants The meaning given in "*Book-Entry Clearance Systems*" on page 237;

Initial Advance In respect of any Loan, the original principal amount advanced by the Seller to the relevant Borrower;

Initial Portfolio The meaning given in "*The Portfolio*" on page 232;

Insolvency Act Insolvency Act 1986, as amended;

Insolvency Event In respect of the Seller, the Servicer or the Cash Manager:

(a) an order is made or an effective resolution passed for the winding-up of the relevant entity; or

(b) the relevant entity stops or threatens to stop payment to its creditors generally or the relevant entity ceases or threatens to cease to carry on its business or substantially the whole of its business; or

(c) an encumbrancer takes possession or a receiver, administrator, administrative receiver or other similar officer is appointed to the whole or any material part of the undertaking, property and assets of the relevant entity or a distress, diligence or execution is levied or enforced upon or sued out against the whole or any material part of the chattels or property of the relevant entity and, in the case of any of the foregoing events, is not discharged within 30 days; or

(d) the relevant entity is unable to pay its debts as they fall due,

other than where the Seller, Servicer or the Cash Manager is Leeds Building Society and any of the events set out in paragraphs (a) to (c) occurs in connection with a Substitution in accordance with the Trust Deed;

Insolvency (Northern Ireland) Order The Insolvency (Northern Ireland) Order 1989, as amended by the Insolvency (Northern Ireland) Order 2005;

Insurance Policies means the Buildings Insurance Policies;:

Intercompany Loan Agreement The term loan agreement (as amended and/or supplemented and/or restated from time to time) dated the Programme Date as amended and restated on 15 December 2011 between the Issuer, the LLP and the Security Trustee;

Interest Accumulation Ledger	The ledger maintained on the GIC Account or the Stand-by GIC Account, as the case may be, 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 Priority 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 or alternatively in certain circumstances to be transferred to the Coupon Payment Ledger as contemplated in the LLP Deed;
Interest Amount	The amount of interest payable on the Floating Rate Covered Bonds in respect of each Specified Denomination for the relevant Interest Period;
Interest Commencement Date	The meaning given on page 98;
Interest Payment Date	In relation to any Series of Covered Bonds, the Specified Interest Payment Date or the meaning given in the applicable Final Terms (as the case may be);
Interest Period	The period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date;
Interest Rate Swap	The interest rate swap transaction entered into between the LLP and Leeds Building Society (in its capacity as Interest Rate Swap Provider) dated the Programme Date;
Interest Rate Swap Agreement	The agreement (as amended and/or supplemented and/or restated from time to time) between the LLP, the Interest Rate Swap Provider dated the Programme Date governing the Interest Rate Swap in the form of an ISDA Master Agreement, including a schedule and confirmation thereto;
Interest Rate Swap Early Termination Event	The meaning given in "*Summary of the Principal Documents*" on page 182;
Interest Rate Swap Provider	The Society, in its capacity as interest rate swap provider under the Interest Rate Swap Agreement together with any successor interest rate swap provider;
Investor Report	The monthly report made available on or around each LLP Payment Date to the Covered Bondholders, the Security Trustee, the Bond Trustee and the Rating Agencies detailing *inter alia* compliance with the Asset Coverage Test and the characteristics of the mortgage portfolio. Investor Reports shall be posted on the Society's website at http://www.leedsbuildingsociety.co.uk/treasury/covered-bonds-documents.html;

ISDA	International Swaps and Derivatives Association, Inc.;
ISDA Definitions	2006 ISDA Definitions, as published by ISDA;
ISDA Master Agreement	The 1992 ISDA Master Agreement (Multicurrency Cross Border), as published by ISDA;
ISDA Rate	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 101;
Issue Date	Each date on which the Issuer issues Covered Bonds to the Covered Bondholders;
Issuer	The Society, a building society incorporated in England and Wales under the Building Societies Act 1986 (as amended), whose principal office is 26 Sovereign Street, Leeds, West Yorkshire, LS1 4BJ;
Issuer Acceleration Notice	The meaning given in Condition 9(a) in "*Terms and Conditions of the Covered Bonds*" on page 275;
Issuer Event of Default	The meaning given in Condition 9(a) in "*Terms and Conditions of the Covered Bonds*" on page 121;
Issuer Subordinated Loan	Should the Society cease to be a Member of the LLP pursuant to Clause 6.1 of the LLP Deed, the Society's Capital Contribution Balance as at the date it ceases to be a Member of the LLP, which will become a subordinated debt obligation owed by the LLP to the Society;
Latest Valuation	In relation to any Property, the value given to that Property by the most recent valuation addressed to the Seller;
LBS Reserve Fund	The reserve fund that the LLP will be required to establish with the Account Bank 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 LBS Reserve Fund Required Amount;
LBS Reserve Fund Account	The account opened by the LLP with the Account Bank in accordance with the Bank Account Agreement into which amounts may be deposited by the LLP up to an amount equal to the LBS Reserve Fund Required Amount;
LBS Reserve Fund Required Amount	(a) If the Issuer's short-term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least F1+ by Fitch, nil or such other amount as the Issuer shall direct the LLP from time to time; or (b) if the Issuer's short-term, unsecured, unsubordinated and unguaranteed debt obligations are not rated at least F1+ by Fitch either:

(i) an amount equal to the higher of (1) zero and (2) the Sterling Equivalent of amounts of interest due on each Series of Covered Bonds in the immediately following three months, together with an amount equal to one quarter of the anticipated aggregate annual amount payable in respect of the items specified in paragraphs (a) to (c) and, if applicable, (d) of the Pre-Acceleration Revenue Priority of Payments, plus £600,000 ***less*** the Reserve Fund Required Amount as determined on the same Calculation Date; or

(ii) such other amount as notified by the Issuer to Fitch from time to time; and

(c) if the Issuer's short-term, unsecured, unsubordinated and unguaranteed debt obligations are not rated at least F1 by Fitch or if the Issuer's long-term, unsecured, unsubordinated and unguaranteed debt obligations are not rated at least A by Fitch, nil (and the Reserve Fund Required Amount will apply);

provided that in determining the amount of the LBS 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 for the date on which the amount is calculated (or, if such day is not a London Business Day, on the immediately preceding London Business 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

LBS Reserve Ledger The Ledger maintained by the Cash Manager to record the balance from time to time of the LBS Reserve Fund Account;

Ledger Each of the Revenue Ledger, the Principal Ledger, the Reserve Ledger, the LBS Reserve Ledger, the Coupon Payment Ledger and the Capital Account Ledgers;

Leeds Group The Society and its subsidiaries collectively;

Legended Covered Bonds The meaning given in Condition 2 in "*Terms and Conditions of the Covered Bonds*" on page 97;

Lending Criteria	The lending criteria of the Seller from time to time, or such other criteria as would be acceptable to a Reasonable, Prudent Mortgage Lender;
LIBOR	London inter-bank offered rate;
LLP	Leeds Building Society Covered Bonds Limited Liability Partnership, a limited liability partnership incorporated in England and Wales (partnership no. OC340174), whose members as at the date of this Prospectus are the Society, the First Designated Member and the Second Designated Member;
LLP Acceleration Notice	A notice in writing given by the Bond Trustee to the Issuer and the LLP, that 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) and as against the LLP, thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in and in accordance with the Trust Deed if any of the LLP Events of Default shall occur and be continuing and thereafter the Security shall become enforceable;
LLP Accounts	The GIC Account, the Transaction Account, the LBS Reserve Fund Account and any additional or replacement accounts opened in the name of the LLP held with the Account Bank, including the Stand-by GIC Account and the Stand-by Transaction Accounts;
LLP Deed	The limited liability partnership deed (as amended and/or supplemented and/or restated from time to time) entered into on the Programme Date and supplemented and amended on 2 October 2009, on 5 October 2010, 15 December 2011 and on or about 27 December 2012 between the LLP, the Society, the First Designated Member, the Second Designated Member, the Bond Trustee and the Security Trustee;
LLP Event of Default	The meaning given in Condition 9(b) in "*Terms and Conditions of the Covered Bonds*" on page 123;
LLP 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 require a unanimous decision of the Members) the Members delegate all matters;
LLP Monthly Interest Amount	On any relevant LLP Payment Date in respect of each Accumulation Series of Covered Bonds: (a) which are linked to SONIA, 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; or

(b) which are not linked to SONIA, an amount equal to:

(A/B) + C

Where:

A is the interest due on the relevant Accumulation Series of Covered Bonds on the immediately following Interest Payment Date, or where an Interest Payment Date falls on the LLP Payment Date on that Interest Payment Date;

B is the number of calendar months that fall between Interest Payment Dates in respect of the relevant Accumulation Series of Covered Bonds; and

C is an amount equal to the aggregate of all LLP Monthly Interest Amounts not paid to the relevant Interest Accumulation Ledger in respect of an Accumulation Series of Covered Bonds since the previous Interest Payment Date;

LLP Payment Date The 15th day of each month or, if not a London Business Day, the next following London Business Day, commencing on the 15th day of October 2008;

LLP Payment Period The period from (and including) an LLP Payment Date to (but excluding) the next following LLP Payment Date (and, in respect of the first LLP Payment Period, means the period from and including the Programme Date to but excluding the first LLP Payment Date;

LLP Standard Variable Rate The LLP standard variable rate applicable to the Loans in the Portfolio, as set, other than in limited circumstances, by the Servicer in accordance with the Servicing Deed;

LLPA 2000 Limited Liability Partnerships Act 2000;

Loan Any mortgage loan (including, for the avoidance of doubt, any English Loan, any Scottish Loan and any Northern Irish Loan) which is sold by the Seller to the LLP from time to time under the terms of the Mortgage Sale Agreement and referenced by its mortgage loan identifier number and comprising the aggregate of all principal sums, interest, costs, charges, expenses and other monies (including all Additional Loan Advances) due or owing with respect to that mortgage loan under the relevant Mortgage Conditions by a Borrower on the security of a Mortgage from time to time outstanding, or, as the

	context may require, the Borrower's obligations in respect of the same but excluding any mortgage loan which is repurchased by the Seller or otherwise sold by the LLP and no longer beneficially owned by it;
Loan Account	As the context requires, either (a) all Loans secured on the same Property or (b) an account maintained by the Servicer in respect of a particular Loan (whether by way of principal, interest or otherwise) and all amounts received in respect thereof;
Loan Files	The file or files relating to each Loan (including files kept in microfiche format or similar electronic data retrieval system or the substance of which is transcribed and held on an electronic data retrieval system) containing *inter alia* correspondence between the Borrower and the Seller and including the mortgage documentation applicable to the Loan, each letter of offer for that Loan, the Valuation Report (if applicable) and, to the extent available, the solicitor's or licensed conveyancer's, or (in Scotland) qualified conveyancer's, Certificate of Title;
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;
Loan Without Independent Valuation	A Loan where an updated Valuation Report was not obtained in relation to an Additional Loan Advance;
London Business Day	A day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for general business in London;
London Stock Exchange	London Stock Exchange plc;
Long Maturity Covered Bond	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;
Losses	All realised losses on the Loans;
Master Definitions and Construction Agreement	The master definitions and construction agreement made between the parties to the Transaction Documents on the Programme Date (as amended and/or supplemented and/or restated from time to time);
MCOB	Mortgages and Home Finance: Conduct of Business sourcebook, implemented by the FSA on 31 October 2004, as amended, revised or supplemented from time to time;

Member	Each member of the LLP;
MH/CP Documentation	An affidavit, declaration, 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 Property secured thereby;
Modified Following Business Day Convention	The meaning given in Condition 4 in "*Terms and Conditions of the Covered Bonds*" on page 100;
Monthly Payment Date	In relation to a Loan, the date in each month on which the relevant Borrower is required to make a payment of interest and, if applicable, principal for that Loan, as required by the applicable Mortgage Conditions;
Moody's	Moody's Investors Service Limited;
Mortgage	In respect of any Loan each first charge by way of legal mortgage (in relation to an English Loan), each first legal charge or mortgage (in relation to a Northern Irish Loan) and each first ranking standard security (in relation to a Scottish Loan), sold by the Seller to the LLP pursuant to the Mortgage Sale Agreement, in either case which secures the repayment of the relevant Loan including the Mortgage Conditions applicable to it;
Mortgage Conditions	All of the terms and conditions applicable to a Loan, including without limitation those set out in the Seller's relevant mortgage conditions booklet and the Seller's relevant general conditions each as varied from time to time by the relevant Loan Agreement and the relevant Mortgage Deed;
Mortgage Deed	In respect of any Mortgage, the deed in written form creating that Mortgage;
Mortgage Sale Agreement	The mortgage sale agreement (as amended and/or supplemented and/or restated from time to time) entered into on the Programme Date between the Seller, the LLP and the Security Trustee and amended and restated on 2 October 2009;
Mutual Transfers Order	The Mutual Societies (Transfers) Order 2009;
Negative Carry Factor	The meaning given on page 172;
New 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 Loans. For the avoidance of doubt, a mortgage loan will not constitute a New Loan Type if it differs from the Loans due to it having 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;
New Loans	Loans, other than the Loans comprised in the Initial Portfolio, which the Seller may sell to the LLP after the First Transfer Date pursuant to Clause 4 (*Sale and Purchase of New Portfolios*) of the Mortgage Sale Agreement;
New Member	Any new member admitted to the LLP after the Programme Date;
New Portfolio	The meaning given in "*The Portfolio*" on page 232;
New Portfolio Notice	A notice in the form set out in Schedule 13 to the Mortgage Sale Agreement served in accordance with the terms of the Mortgage Sale Agreement;
New Seller	Any member of the Leeds Group (other than the Society) that is a "connected person" as defined in Regulation 5 of the RCB Regulations and that accedes to the relevant Transaction Documents and sells Loans and their Related Security to the LLP in the future;
NGCB	The meaning given on page 74;
NIPs	Non-Investment Products Code;
Northern Irish Loans	Loans secured by Northern Irish Mortgages;
Northern Irish Mortgage	A Mortgage over a Property located in Northern Ireland;
Notice to Pay	The meaning given in Condition 9(a) in "*Terms and Conditions of the Covered Bonds*" on page 122;
NSS	The safekeeping structure for registered covered bonds set out in the press release of the ECB dated 22 October 2008 and titled "Evolution of the custody arrangements for international debt services and their eligibility in Euro system credit operations";
Office for National Statistics	The national statistical institute which produces UK House Price Index in the UK;
Official List	Official list of the FCA;
OFT	Office of Fair Trading;
Ombudsman	Financial Ombudsman Service under the FSMA;
Original Due for Payment Date	The meaning given in paragraph (i)(a) of the definition of "Due for Payment";
Overpayment	A payment by a Borrower in an amount greater than the amount due on a Monthly Payment Date which: (a) is

	permitted by the terms of such Loan or by agreement with the Borrower; and (b) reduces the True Balance of such Loan;
Partial Portfolio	Part of any portfolio of Selected Loans;
Paying Agents	In relation to all or any Series of the Covered Bonds, the several institutions (including, where the context permits, the Principal Paying Agent) at their respective specified offices initially appointed as paying agents in relation to such Covered Bonds by the Issuer and the LLP pursuant to the Agency Agreement and/or, if applicable, any successor paying agents at their respective specified offices in relation to all or any Series of the Covered Bonds;
Payment Day	The meaning given in Condition 5 in "*Terms and Conditions of the Covered Bonds*" on page 111;
Permanent Global Covered Bond	The meaning given in "*Form of the Covered Bonds*" on page 74;
Portfolio	The Initial Portfolio and each New Portfolio acquired by the LLP;
Portfolio Manager	A portfolio manager appointed by the LLP in accordance with the LLP Deed;
Post-Enforcement Priority of Payments	The meaning given in "*Cashflows*" on page 214;
Potential Issuer Event of Default	The meaning given in Condition 14 in "*Terms and Conditions of the Covered Bonds*" on page 136;
Potential LLP Event of Default	The meaning given in Condition 14 in "*Terms and Conditions of the Covered Bonds*" on page 136;
PPI	Non-investment insurance contract which has elements of a general insurance contract and the benefits of which are described as enabling a policyholder to protect his ability to continue to make payments due to third parties, or can reasonably be expected to be used in this way;
PRA	Prudential Regulation Authority;
Pre-Acceleration Principal Priority of Payments	The meaning given in "*Cashflows*" on page 203;
Pre-Acceleration Revenue Priority of Payments	The meaning given in "*Cashflows*" on page 197;
Preceding Business Day Convention	The meaning given in Condition 4(b) in "*Terms and Conditions of the Covered Bonds*" on page 100;
Principal Amount Outstanding	In respect of a Covered Bond 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;

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 Paying Agent — The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 91;

Principal Receipts

(a) principal repayments under the Loans (including payments of Capitalised Interest, Capitalised Expenses and Capitalised Arrears);

(b) recoveries of principal from defaulting Borrowers under Loans being enforced (including the proceeds of sale of the relevant Property);

(c) any payment pursuant to any insurance policy in respect of a Property in connection with a Loan in the Portfolio; and

(d) the proceeds, if any, of the repurchase of any Loan by the Seller from the LLP pursuant to the Mortgage Sale Agreement (including, for the avoidance of doubt, amounts attributable to Accrued Interest and Arrears of Interest thereon as at the relevant repurchase date);

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 (as applicable);

Product Switch — A variation to the financial terms or conditions included in the Mortgage Conditions applicable to a Loan other than:

(a) any variation agreed with a Borrower to control or manage arrears on a Loan;

(b) any variation in the maturity date of a Loan;

(c) any variation imposed by statute or any variation in the frequency with which the interest payable in respect of the Loan is charged;

(d) any variation to the interest rate as a result of the Borrowers switching to a different rate by operation of the Loan;

(e) any change to a Borrower under the Loan or the addition of a new Borrower under a Loan;

(f) any change in the repayment method of the Loan;

Programme	The Covered Bond programme established by, or otherwise contemplated in, the Programme Agreement and the Trust Deed;
Programme Agreement	The meaning given in "*Subscription and Sale and Transfer and Selling Restrictions*" on page 245;
Programme Date	2 October 2008;
Programme Resolution	Any Extraordinary Resolution to direct the Bond Trustee to accelerate the Covered Bonds pursuant to Condition 9 or to direct the Bond Trustee or the Security Trustee to take any enforcement action;
Property	A freehold, leasehold or commonhold property or a heritable or long lease property in Scotland which is subject to a Mortgage;
Purchaser	Any third party or the Seller to whom the LLP offers to sell Selected Loans;
QIB	A "qualified institutional buyer" within the meaning of Rule 144A;
Rating Agencies	Moody's and Fitch, and each a **Rating Agency**;
Rating Agency Confirmation	A confirmation in writing by each of Moody's and Fitch that the then current ratings of the Covered Bonds will not be adversely affected by or withdrawn as a result of the relevant event or matter provided that if: (a) a confirmation of rating or other response by a Rating Agency is a condition to any action or step under any Transaction Document; and (b) a written request for such confirmation or response is delivered to that Rating Agency by any of the LLP, the Issuer, the Bond Trustee and/or the Security Trustee, as applicable (each a Requesting Party) and the Rating Agency indicates that it does not consider such confirmation or response necessary in the circumstances, the Requesting Party shall be entitled to assume that the then current ratings of the Covered Bonds on issue will not be downgraded or withdrawn by such Rating Agency as a result of such action or step. However, nothing herein shall in any way affect the right of a Rating Agency to downgrade or withdraw its then Current Ratings of the Covered Bonds in such a manner as it sees fit;
RCB Regulations	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 further amended from time to time;

RCB Sourcebook	The FCA Regulated Covered Bond Specialist Sourcebook 2008;
Reasonable, Prudent Mortgage Lender	The Seller and/or the Servicer, as applicable, acting in accordance with the standards of a reasonably prudent residential mortgage lender lending to borrowers in England, Wales, Scotland and/or Northern Ireland who generally satisfy the lending criteria of traditional sources of residential mortgage capital;
Record Date	The meaning given in Condition 5 in "*Terms and Conditions of the Covered Bonds*" on page 110;
Redeemed Covered Bonds	The meaning given in Condition 6 in "*Terms and Conditions of the Covered Bonds*" on page 117;
Reference Assets	In respect of shares or other securities, as indicated in the applicable Final Terms;
Reference Entities	In respect of Credit Linked Covered Bonds, entities as indicated in the applicable Final Terms;
Register	The register of holders of the Registered Covered Bonds maintained by the Registrar;
Registers of Northern Ireland	The Land Registry of Northern Ireland and/or the Registry of Deeds in Belfast;
Registers of Scotland	The Land Register of Scotland and/or the General Register of Sasines;
Registered Covered Bonds	Covered Bonds in registered form;
Registered Definitive Covered Bond	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 Programme 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 8 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 and the Regulation S Global Covered Bonds;
Registrar	Deutsche Bank Trust Company Americas in its capacity as registrar (and any additional or successor registrar);
Regulated Mortgage Contract	The meaning given in "*Certain Regulatory Considerations*" on page 214;
Regulation S	Regulation S under the Securities Act;
Regulation S Covered Bonds	The meaning given in "*Subscription and Sale and Transfer and Selling Restrictions*" on page 248;
Regulation S Global Covered Bond	The meaning given in "*Form of Covered Bonds*" on page 76;
Related Security	In relation to a Loan, the security for the repayment of that Loan including the relevant Mortgage and all other matters applicable thereto acquired as part of the Portfolio;
Relevant Date	The meaning given in Condition 7 in "*Terms and Conditions of the Covered Bonds*" on page 120;
Representations and Warranties	The representations and warranties set out in Schedule 1 (*Representations and Warranties*) of the Mortgage Sale Agreement;
Repurchase Notice	A notice from the Cash Manager to the Seller identifying a Loan or its Related Security in the Portfolio which does not, as at the relevant Transfer Date or relevant Calculation Date (in the case of an Additional Loan Advance), materially comply with the Representations and Warranties;
Required Coupon Amount	In respect of a Term Advance, 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 Accumulated Series of Covered Bonds), interest due, from the LLP on the Term Advance on the next 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 Interest Payment date, and such estimate to be calculated on the basis of an issued interest rate for the relevant Interest Period equal to the sum of (x) the SONIA Spot Rate published for the London Business Date immediately preceding the date on which the relevant Cash Capital Contribution is required to be made, compounded daily over the Interest Period and (y), 0.10 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 the Covered Bond Swap(s) on the next payment date (other than those amounts due in respect of principal) 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 amount due from the LLP under the Covered Bond Swap Agreement on the Relevant Payment Date, and 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 for the London Business Date immediately preceding the date on which the relevant Cash Capital Contribution is required to be made, compounded daily over the Covered Bond Swap Observation Period and (y), 0.10 per cent; and (iii) (in the case of a Term Advance relating to an Accumulation Series of Covered Bonds), the LLP Monthly Interest Amount Payable by the LLP on that relevant Term Advance for the relevant LLP Payment Date.

Required Coupon Amount Shortfall In respect of each Term Advance, on any LLP Payment Date, taking into account any amount to be credited to the Coupon Payment Ledger on the same date in respect of any other Term Advance, the amount by which the Required Coupon Amount exceeds the sum of:

(a) the amount of Available Revenue Receipts remaining following payment in full of the amounts referred to in paragraphs (a) to (d) inclusive of the Pre-Acceleration Revenue Priority of Payments; and

(b) the amount then standing to the credit of the Coupon Payment Ledger in relation to that Term Advance;

Required Redemption Amount The meaning given in "*Summary of the Principal Documents*" on page 159;

Required True Balance Amount The meaning given in "*Summary of the Principal Documents*" on page 174;

Reserve Fund The reserve fund that the LLP holds in the GIC Account or, as applicable, the Stand-by GIC Account 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

(a) 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 the Issuer shall direct the LLP from time to time; or

(b) if the Issuer's short-term, unsecured, unsubordinated and unguaranteed debt obligations are not rated at least P-1 by Moody's, an amount equal to the Sterling Equivalent of one month's interest due on each Series of Covered Bonds together with an amount equal to one-twelfth of the anticipated aggregate annual amount payable in respect of the items specified in paragraphs (a) to (c) and, if applicable, (d) of the Pre-Acceleration Revenue Priority of Payments plus £600,000; or

(c) if the Issuer's short-term, unsecured, unsubordinated and unguaranteed debt obligations are not rated at least F1+ by Fitch and P-1 by Moody's, an amount equal to the higher of (A) an amount equal to the higher of (1) zero and (2) the Sterling Equivalent of amounts of interest due on each Series of Covered Bonds in the immediately following three months, together with an amount equal to one quarter of the anticipated aggregate annual amount payable in respect of the items specified in paragraphs (a) to (c) and, if applicable, (d) of the Pre-Acceleration Revenue Priority of Payments, plus £600,000 and (B) an amount equal to the Sterling Equivalent of one month's interest due on each Series of Covered Bonds together with an amount equal to one-twelfth of the anticipated aggregate annual amount payable in respect of the items specified in paragraphs (a) to (c) and, if applicable, (d) 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 for the date on which the amount is calculated (or, if such day is not a London Business Day, on the immediately preceding London Business 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 Funds The LBS Reserve Fund and the Reserve Fund;

Reserve Ledger The ledger on the GIC Account or, as applicable, the Stand-by GIC Account, 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;
Reset Date	The meaning given in the ISDA Definitions;
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	(a) payments of interest (excluding Accrued Interest and Arrears of Interest as at the relevant Transfer Date of a Loan) and other fees due from time to time under the Loans and other amounts received by the LLP in respect of the Loans other than the Principal Receipts; (b) recoveries of interest from defaulting Borrowers under Loans being enforced; and (c) recoveries of interest and/or principal from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed;
Rule 144A	Rule 144A under the Securities Act;
Rule 144A Global Covered Bond	A Registered Global Covered Bond in registered form representing the Registered Covered Bonds of a Tranche sold to QIBs pursuant to Rule 144A;
Rules	The rules, regulations and procedures creating and affecting DTC and its operations;
Sale Proceeds	The cash proceeds realised from the sale of Selected Loans and their Related Security;
Scheduled Interest	An amount equal to the amount in respect of interest which would have been due and payable under the Covered Bonds on each Interest Payment Date as specified in Condition 4 (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 Final 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 7;
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 6(a) and Condition 6(d) (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 specify that an Extended Due for Payment Date is applicable to the relevant Covered Bonds, as if the Final 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 Loans and their Related Security made by the Seller in favour of the LLP pursuant to the Mortgage Sale Agreement in the form set out in Schedule 8 (*Scottish Declaration of Trust*) thereto;
Scottish Loans	Loans secured by Scottish Mortgages;
Scottish Mortgage	A Mortgage over a Property located in Scotland;
Scottish Sub-Security	Each standard security granted by the LLP in favour of the Security Trustee pursuant to the Deed of Charge;
Scottish Sasine Sub Security	The meaning given in "*Land Registration Reform in Scotland*" on page 223;
Scottish Supplemental Charge	Each Scottish assignation in security granted by the LLP in favour of the Security Trustee pursuant to the Deed of Charge;
SEC	U.S. Securities and Exchange Commission;
Secured Creditors	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 Servicer, the Account Bank, the Stand-by GIC Provider, the Stand-by Transaction Account Bank, the Cash Manager, the Swap Providers, the Corporate Services Provider, the Paying Agents, the Registrar, the Exchange Agent, the Transfer Agent

	and any other person which becomes a Secured Creditor pursuant to the Deed of Charge;
Secured Obligations	Any and all monies, obligations and liabilities and all other amounts due, owing, payable or owed by the LLP which the LLP covenants and undertakes in Clause 2 of the Deed of Charge to pay and discharge and all claims, demands or damages for breach of any such covenant;
Securities Act	U.S. Securities Act of 1933, as amended;
Securities and Exchange Law	The Securities and Exchange Law of Japan;
Securities Custodian	The Bank of New York Mellon, acting through its London branch, in its capacity as securities custodian under the Custody Agreement together with any successor security trustee appointed from time to time;
Security	The meaning given in "*Summary of the Principal Documents*" on page 189;
Security Trustee	Deutsche Trustee Company Limited, in its capacity as security trustee under the Trust Deed and the Deed of Charge together with any successor security trustee appointed from time to time;
Selected Loan Offer Notice	A notice substantially in the form set out in Schedule 15 (*Selected Loans Offer Notice*) to the Mortgage Sale Agreement, and served in accordance with the terms, of the Mortgage Sale Agreement;
Selected Loan Repurchase Notice	A notice substantially in the form set out in Schedule 16 (*Selected Loans Repurchase Notice*), and served in accordance with the terms, of the Mortgage Sale Agreement;
Selected Loans	Loans and their Related Security to be sold by the LLP pursuant to the terms of the LLP Deed having in aggregate the Required True Balance Amount;
Selection Date	The meaning given in Condition 6 in "*Terms and Conditions of the Covered Bonds*" on page 117;
Seller	The Society and any New Seller;
Seller Arranged Policy	Any Buildings Insurance Policy arranged by the Seller for the purposes of the Borrower insuring the Property for an amount equal to the full rebuilding cost of the Property;
Series	A Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices;

Series Reserved Matter In relation to Covered Bonds of a Series:

(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;

(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 of the holders of Covered Bonds of any Series);

(e) except in accordance with Condition 6. (h) or Condition 14, 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 holders of Covered Bonds 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;

Servicer The Society in its capacity as servicer under the Servicing Deed together with any successor servicer appointed from time to time;

Servicer Event of Default The meaning given in "*Summary of the Principal Documents*" on page 164;

Servicer Termination Event	The meaning given in "*Summary of the Principal Documents*" on page 164;
Servicing Deed	The servicing deed (as amended and/or supplemented and/or restated from time to time) entered into on the Programme Date between the LLP, the Servicer and the Security Trustee;
Share Trustee	Intertrust Corporate Services Limited (formerly known as SFM Corporate Services Limited), having its registered office at 1 Bartholomew Lane, London, EC2N 2AX;
Society	Leeds Building Society;
SONIA	Sterling Overnight Index Average;
SONIA Spot Rate	With respect to publication on any London Business Day, the daily Sterling Overnight Index Average (SONIA) published on such London Business Day (and relating to the immediately preceding London Business Day) 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);
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	In respect of a Series of Covered Bonds, the denomination or denominations of such Covered Bonds 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;
Standard Documentation	The standard documentation, 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, Prudent Mortgage Lender;
Standard Variable Rate	The Society's standard variable rate;
Stand-by Transaction Account Agreement	The meaning given in "*Summary of the Principal Documents*" on page 187;
Stand-by GIC Account	The meaning given in "*Summary of the Principal Documents*" on page 188;

Stand-by Transaction Account Bank	The meaning given in "*Summary of the Principal Documents*" on page 187;
Stand-by Transaction Accounts	The meaning given on page 187;
Sterling Equivalent	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 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;
Sterling Stand-by Transaction Account	The meaning given on page 187;
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	The meaning given on page 134;
Substitution Assets	Each of: Sterling gilt-edged securities; Sterling demand or time deposits, certificates of deposit, long-term debt obligations and short-term debt obligations 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 three other internationally recognised rating agencies; and Sterling denominated government and public securities, as defined from time to time by the FCA, 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 three other internationally recognised rating agencies, provided that such Substitution Assets satisfy the requirements for eligible assets that may collateralise covered bonds in accordance with the requirements of Regulation 2(1)(a) of the RCB Regulations;

sub-unit	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;
Successor in Business	The meaning given in Condition 14 of the "*Terms and Conditions of the Covered Bonds*" on page 136;
Swap Agreements	The Covered Bond Swap Agreements together with the Interest Swap Agreement, 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 Available Amounts	At any time, the amount of Swap Collateral which under the terms of the relevant Swap Agreement may be applied in satisfaction of the relevant Swap Provider's obligations to the LLP following termination of a Swap to the extent that such obligations relate to payments made in connection with the Pre-Acceleration Priority of Payments or the Guarantee Priority of Payments;
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 each of the Swap Agreements) 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	Covered Bond Swap Provider and the Interest Rate Swap Providers, and each a **Swap Provider**;
Swaps	The Covered Bond Swaps together with the Interest Rate Swap;

Talons	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 92;
TARGET2 System	Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor thereto;
Tax Credit	The meaning given in the relevant Swap Agreement;
TEFRA	The United States Tax Equity and Fiscal Responsibility Act of 1982;
TEFRA C	U.S. Treasury Regulations §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended);
TEFRA D	U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended);
Temporary Global Covered Bond	The meaning given in "*Form of Covered Bonds*" on page 74;
Term Advance	Each term advance made by the Issuer to the LLP from the proceeds of Covered Bonds pursuant to the Intercompany Loan Agreement;
Third Party Amounts	Each of: (a) payments of insurance premiums, if any, due to the Seller in respect of any Seller Arranged Policy to the extent not paid or payable by the Seller (or to the extent such insurance premiums have been paid by the Seller in respect of any Further Advance which is not purchased by the Seller to reimburse the Seller); (b) amounts under an unpaid direct debit which are repaid by the Seller to the bank making such payment if such bank is unable to recoup that amount itself from its customer's account; (c) payments by the Borrower of any fees and other charges which are due to the Seller; (d) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service (including giving insurance cover) to any of that Borrower or the Seller or the LLP; (e) any amounts due or arising from any overpayment by any person or arising from any reimbursement by any

person of any such overpayment (including, for the avoidance of doubt, where arising from the failure of a direct debit);

(f) (subject to any right to refuse or withhold payment or of set-off that has arisen by reason of the Borrower's breach of the terms of the relevant Mortgage or Loan) any amount payable to a Borrower under the terms of the Mortgage or the Loan to which that Borrower is a party (other than a Further Advance);

(g) any amounts owed to the Seller pursuant to Clause 6 (*Trust of Monies*) of the Mortgage Sale Agreement; and

(h) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service (including giving insurance cover) to any of that Borrower or the Seller or the LLP;

which amounts may be paid daily from monies on deposit in the LLP Accounts;

Title Deeds In relation to each Loan and its Related Security and the Property relating thereto, all conveyancing deeds and documents which make up the title to the Property and the security for the Loan and all searches and enquiries undertaken in connection with the grant by the Borrower of the related Mortgage;

Transaction Account The account designated as such in the name of the LLP held with the Account Bank and maintained subject to the terms of the Bank Account Agreement and the Deed of Charge or such additional or replacement account as may for the time being be in place with the prior consent of the Security Trustee (including the Stand-by Transaction Accounts);

Transaction Documents

(a) the Mortgage Sale Agreement;

(b) each Scottish Declaration of Trust;

(c) the Servicing Deed;

(d) the Asset Monitor Agreement;

(e) the Intercompany Loan Agreement;

(f) the LLP Deed;

(g) the Cash Management Agreement;

(h) the Interest Rate Swap Agreement;

(i) each Covered Bond Swap Agreement;

(j) the Bank Account Agreement;

(k) the Stand-by Transaction Account Agreement;

(l) the Corporate Services Agreement;

(m) the Deed of Charge (and any documents entered into pursuant to the Deed of Charge including without limitation each Scottish Supplemental Charge and Scottish Sub-Security);

(n) the Trust Deed;

(o) the Agency Agreement;

(p) the Programme Agreement;

(q) each set of Final Terms (as applicable in the case of each issue of listed Covered Bonds subscribed pursuant to a subscription agreement);

(r) each Subscription Agreement (as applicable in the case of each issue of listed Covered Bonds subscribed pursuant to a subscription agreement);

(s) the Master Definitions and Construction Agreement;

(t) each document, agreement or indenture ancillary or supplemental to any of the documents specified in paragraphs (a) to (t) (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 Agent The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 91;

Transfer Certificate The meaning given in Condition 2(e) in "*Terms and Conditions of the Covered Bonds*" on page 95;

Transfer Date Each of the First Transfer Date and the date of transfer of any New Portfolio to the LLP in accordance with the Mortgage Sale Agreement;

True Balance For any Loan as at any given date, the aggregate (but avoiding double counting) of:

(a) the original principal amount advanced to the relevant Borrower and any further amount advanced on or before the given date to the relevant Borrower secured or intended to be secured by the related Mortgage;

(b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been properly capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent and added to the amounts secured or intended to be secured by that Mortgage; and

(c) any other amount (including, for the avoidance of doubt, Accrued Interest and Arrears of Interest) which is due or accrued (whether or not due) and which has not been paid by the relevant Borrower and has not been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent but which is secured or intended to be secured by that Mortgage, as at the end of the Business Day immediately preceding that given date less any repayment or payment of any of the foregoing made on or before the end of the Business Day immediately preceding that given date and excluding any retentions made but not released and any Additional Loan Advances committed to be made but not made by the end of the Business Day immediately preceding that given date;

Trust Deed — The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 91;

UCITS Directive — EU Directive 2009/65/EC on undertakings for collective investment in transferable securities, as amended;

UK House Price Index — The index of increases or decreases in house prices in relation to residential properties in the UK, as published by the Office of National Statistics;

UK House Price Indexed Valuation — In relation to any Property at any date from and including 30 September 2020, (i) where the Latest Valuation of the Property was made prior to 30 September 2020, the indexed valuation of the relevant Property as determined by the Issuer acting as a Reasonable, Prudent Mortgage Lender as at 30 September 2020 increased or decreased as appropriate by the increase or decrease in the UK House Price Index since 30 September 2020; or (ii) where the Latest Valuation of the Property was made on or following 1 October 2020, the Latest Valuation of that Property increased or decreased as appropriate by the increase or decrease in the UK House Price Index since the date of that Latest Valuation;

UK Prospectus Regulation — The meaning given on page 80;

UK EMIR — Regulation (EU) 648/2012 as it forms part of domestic law by virtue of the EUWA;

Unfair Practices Directive — The meaning given on page 74;

UTCCR	Unfair Terms in Consumer Contracts Regulations 1999 (SI 1999/2083), as amended and the Unfair Terms in Consumer Contracts Regulations 1994 (SI 1994/3159);
Valuation Report	The valuation report or reports for mortgage purposes, in the form of one of the pro forma contained in the Standard Documentation, obtained by the Seller from a Valuer in respect of each Property or a valuation report in respect of a valuation made using a methodology which would be acceptable to a Reasonable, Prudent Mortgage Lender and which has been approved by the relevant officers of the Seller;
Valuer	An Associate or Fellow of the Royal Institute of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers who was at the relevant time either a member of a firm which was on the list of Valuers approved by or on behalf of the Seller from time to time or an Associate or Fellow of the Royal Institute of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers employed in-house by the Seller acting for the Seller in respect of the valuation of a Property;
Yield Shortfall Test	The meaning given on page 163; and
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.

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