NATIONAL WESTMINSTER BANK PLC
(*incorporated under the laws of England and Wales with limited liability under the Companies Act 1948 to 1980, with registered number 00929027*)

€25 billion
Global Covered Bond Programme unconditionally and irrevocably guaranteed as to payments of interest and principal by

NatWest Covered Bonds Limited Liability Partnership
(a limited liability partnership incorporated in England and Wales)

Under this €25 billion global covered bond programme (the **Programme**), National Westminster Bank Plc (the **Issuer** and **NatWest**) 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.

NatWest 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.

The Issuer under the Programme was previously The Royal Bank of Scotland plc (**RBS**). Pursuant to a ring fencing transfer scheme under Part VII of the Financial Services and Markets Act 2000 (the **Ring Fencing Transfer Scheme**), certain elements of RBS's business were transferred to National Westminster Bank Plc. Following the approval of the Ring Fencing Transfer Scheme by the Court of Session in Scotland, all accrued rights and obligations of RBS in its various capacities under the Programme, including as Issuer, but excluding the roles of Arranger and Dealer have been transferred to, and vested in or became liabilities of (as applicable), National Westminster Bank Plc. The Ring Fencing Transfer Scheme became effective on 30 April 2018 (the **RFTS Effective Date**). References in this Prospectus to "Issuer" shall be construed accordingly and the Prospectus will refer to National Westminster Bank Plc. The roles of Arranger and Dealer are also being transferred from RBS to NatWest Markets Plc, although this change is not being made pursuant to the Ring Fencing Transfer Scheme.

On 18 April 2018, the name of the LLP was changed from RBS Covered Bonds Limited Liability Partnership to NatWest Covered Bonds Limited Liability Partnership.

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 €25 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 the Dealer 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 to a specific issue or on an on-going basis. References in this Prospectus to the **relevant Dealers** shall, in the case of an issue of Covered Bonds being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Covered Bonds.

See *Risk Factors* on page 28 of this Prospectus for a discussion of certain factors to be considered in connection with an investment in the Covered Bonds.

This Prospectus constitutes a Base Prospectus for the purposes of the Directive 2003/71/EC as amended, which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant member state (the **Prospectus Directive**). Application has been made to the Financial Conduct Authority (the **FCA**) acting under Part VI of the Financial Services and Markets Act 2000 (the **FSMA**) for the purposes of the

Prospectus Directive and relevant implementing measures in the United Kingdom (the **UK Listing Authority**), for approval of this Prospectus as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of Covered Bonds (other than N Covered Bonds) issued under the Programme during the period of twelve (12) months from the date of this Prospectus to be admitted to the official list of the UK Listing Authority (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 regulated market of the London Stock Exchange which is a "regulated market" for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (as amended, **MiFID II**) (the **regulated market of the London Stock Exchange**). Admission to the Official List together with admission to the regulated market of the London Stock Exchange constitutes official listing on the London Stock Exchange. References in this Prospectus to Covered Bonds being "listed" (and all related references) shall mean that such Covered Bonds have been admitted to trading on the regulated 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 Series (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 Series (**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 UK Listing Authority and the London Stock Exchange on or before the date of issue of such Series of Covered Bonds.

The Programme provides that Covered Bonds may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or regulated or unregulated markets as may be agreed between the Issuer, the LLP, the Bond Trustee (as defined below) and the relevant Dealer(s). The Issuer may also issue unlisted Covered Bonds and/or Covered Bonds not admitted to trading on any regulated or unregulated market. All Covered Bonds will have the benefit of the Covered Bond Guarantee and the Security granted by the LLP in respect of the Charged Property. For the avoidance of doubt, unlisted Covered Bonds and/or Covered Bonds not admitted to trading on any regulated or unregulated market will not be issued pursuant to this Prospectus. On 1 April 2010, RBS was admitted to the register of issuers and 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**). National Westminster Bank Plc as the Issuer was admitted to the register of issuers on 26 June 2017. 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**), and may not be offered or sold in the United States or to or for the benefit of U.S. persons (as defined in Regulation S under the Securities Act, **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. 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 U.S. persons, except in certain transactions permitted by U.S. tax 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 and the regulations promulgated thereunder. Interests in a Temporary Global Covered Bond (as defined below) will be exchangeable, in whole or in part, for interests in a Permanent Global Covered Bond (as defined below) on or after forty (40) days after the completion of the distribution of the relevant Tranche of Covered Bonds, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue), upon certification as to non-U.S. beneficial ownership. 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*".

Each Series of Covered Bonds issued under the Programme will have the rating set out in the applicable Final Terms document. 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 credit rating assigned to a relevant Series of Covered Bonds by a credit rating agency will be disclosed in the Final Terms. The credit ratings included and referred to in this Prospectus have been issued by Fitch Ratings Limited and Moody's Investors Service Limited, each of which is established in the European Union and is registered under Regulation (EU) No 1060/2009 (as amended) (the **CRA Regulation**). In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued or endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation unless the ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended).

Amounts payable on Floating Rate Covered Bonds will be calculated by reference to one of LIBOR, SONIA, EURIBOR, STIBOR, HIBOR, SIBOR and TIBOR as specified in the relevant Final Terms. As at the date of this Prospectus, the administrators of LIBOR and EURIBOR appear on the register and the administrators of SONIA, STIBOR, HIBOR, SIBOR and TIBOR are not included in ESMA's register of administrators under Article 36 of the Regulation (EU) No. 2016/1011 (the **Benchmark Regulation**). As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmark Regulation apply, such that the administrators of SONIA, STIBOR, HIBOR, SIBOR and TIBOR are not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).

Arranger and Dealer for the Programme

NatWest Markets

The date of this Prospectus is 19 July 2019

This Prospectus has been approved by the UK Listing Authority as a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the Prospectus Directive) 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 and belief of each of the Issuer and the LLP (each having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. Any information sourced from third parties contained in this Prospectus has been accurately reproduced (and is clearly sourced where it appears in the document) and, as far as each of the Issuer and the LLP are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Copies of each set of Final Terms (in the case of Covered Bonds to be admitted to the Official List) will be available from the registered office of the Issuer and (in the case of Covered Bonds to be admitted to the Official List, to listing on any other regulated or unregulated market or stock exchange and also all unlisted Covered Bonds) from the specified office set out below of each of the Paying Agents (as defined below).

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.

The information contained in this Prospectus was obtained from the Issuer and the LLP and other sources (identified herein), but no assurance can be given by the Arranger, the Dealers, the Agents, 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 Arranger, the Dealers, the Agents, the Bond Trustee or the Security Trustee as to 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. None of the Arranger, the Dealers, the Agents nor 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.

No person is or has been authorised by the Issuer, the LLP, the Seller, the Arranger, any of the Dealers, the Agents, 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 LLP, the Seller, the Arranger, the Agents, any of the Dealers, 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, the Arranger, any of the Dealers, any of the Agents, 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, the Arranger, any of the Dealers, any of the Agents, 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 as of any time subsequent to the date indicated in the document containing the same. The Dealers, the Arranger, the Agents, 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 with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account of, U.S. persons except in certain transactions exempt from, or in transactions not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act (Regulation S).

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. tax 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 and the regulations promulgated thereunder.

IMPORTANT – 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 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); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, IMD), 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 Directive 2003/71/EC (as amended, the Prospectus Directive). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the PRIIPs Regulation) for offering or selling the Covered Bonds or otherwise making 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 PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE/TARGET MARKET – The Final Terms in respect of any Covered Bonds will include a legend entitled "MiFID II Product Governance" which will

outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "distributor") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (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.

As set forth in the applicable Final Terms, the Covered Bonds are being offered and sold outside the United States in reliance on Regulation S under the Securities Act (Regulation S) to non-U.S. persons in offshore transactions. For a description of these and certain further restrictions on offers, sales and transfers of Covered Bonds and distribution of this Prospectus, see "Subscription and Sale and Transfer and Selling Restrictions".

An investment in the Covered Bonds is not subject to restriction under Section 13 of the U.S. Bank Holding Company Act of 1956, as amended (the "Volcker Rule") as an investment in an ownership interest in a covered fund (see "Certain Volcker Rule Considerations").

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 Seller, the Arranger, the Dealers, 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 Seller, the Arranger, the Dealers, 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 (including the United Kingdom and the Czech Republic) and Japan, see "*Subscription and Sale and Transfer and Selling Restrictions*".

All references in this document to "Sterling" and "£" refer to the lawful currency for the time being of the United Kingdom 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", "$" and "U.S.$" 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.

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;**

- **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 and such instruments may be purchased by investors 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 the help of a financial adviser) to evaluate how the Covered Bonds will perform under changing conditions, the resulting effects on the value of such Covered Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

In connection with the issue of any Tranche of Covered Bonds, one or more relevant Dealers acting as stabilisation manager (each a "Stabilisation Manager") may over-allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilising 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 thirty (30) days after the issue date of the relevant Tranche of Covered Bonds and sixty (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 Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

The Covered Bonds may not be a suitable investment for all investors and in making an investment decision, investors must rely on their own examination of the Issuer and the LLP and the terms of the Covered Bonds being offered, including the merits and risks involved. The Covered Bonds and the Covered Bond Guarantee 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 has any of the foregoing authorities passed upon or endorsed the merits of the offering of the Covered Bonds, 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 Arranger, the Dealers, the Issuer, the LLP, the Seller, 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.

Amounts payable under the Covered Bonds may be calculated by reference to the Euro Interbank Offered Rate (EURIBOR) or the London Interbank Offered Rate (LIBOR), which are provided by the European Money Markets Institute (EMMI) and ICE Benchmark Administration Limited (IBA) respectively. As at the date of this Prospectus, IBA and EMMI appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (ESMA) pursuant to article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the BMR).

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 National Westminster Bank Plc and its consolidated subsidiaries' undertakings (collectively, the **NatWest 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 NatWest 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 only as of the date hereof. Such statements and any other statements other than statements of historical fact constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. The NatWest 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.

TABLE OF CONTENTS

Principal Characteristics of the Programme 7
Documents Incorporated by Reference 8
Structure Overview 11
Overview of the Programme 18
Risk Factors 28
Form of the Covered Bonds 79
Form of Final Terms 84
Terms and Conditions of the Covered Bonds 93
Use of Proceeds 140
National Westminster Bank Plc 141
The LLP 148
The Loans and the Portfolio 150
Summary of the Principal Documents 165
Credit Structure 206
Cashflows 211
The Portfolio 227
Description of the UK Regulated Covered Bond Regime 229
Description of Limited Liability Partnerships 231
Book-Entry Clearance Systems 232
Taxation 234
Certain Volcker Rule Considerations 236
Subscription and Sale and Transfer and Selling Restrictions 237
General Information and Recent Developments 245
Glossary 249

ANNEX 1 - Annual Report and Accounts of the LLP together with the Audit Reports thereon for the Financial Year ending 31 December 2018 304

PRINCIPAL CHARACTERISTICS OF THE PROGRAMME

Issuer:	National Westminster Bank Plc
Guarantor:	NatWest Covered Bonds Limited Liability Partnership
Regulated Covered Bonds:	On 1 April 2010, RBS was admitted to the register of issuers of regulated covered bonds and the Programme was admitted to the register of regulated covered bonds; National Westminster Bank Plc as the Issuer was admitted to the register of issuers on 26 June 2017
Nature of eligible property:	Residential mortgage loans and their Related Security, Substitution Assets up to the prescribed limit and Authorised Investments
Compliant with the Banking Consolidation Directive (Directive 2006/48/EC):	Yes
Location of eligible residential property underlying Loans:	England, Wales and Scotland
Maximum True Balance to Indexed Valuation ratio given credit under the Asset Coverage Test:	75.0%
Maximum Asset Percentage:	90%
Asset Coverage Test:	As set out on page 186
Statutory minimum overcollateralisation:	The eligible property in the cover pool must be more than 108% of the Principal Amount Outstanding of the Covered Bonds
Amortisation Test:	As set out on page 190
Extended Maturities:	Available
Hard Bullet Maturities:	Available
Asset Monitor:	Deloitte LLP
Asset Segregation from Issuer:	Yes
Namensschuldverschreibungen option:	Yes
Single/Multi Asset Pool designation:	Single Asset Pool, consisting of residential mortgage loans and liquid assets
Substitution Assets:	Asset-backed securities are not eligible property and cannot form part of the Asset Pool

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have been (1) previously published and (2) approved by the Financial Conduct Authority or its predecessor the Financial Services Authority (the **FCA**) or filed with the National Storage Mechanism shall be deemed to be incorporated in, and form part of, this Prospectus:

(a) an announcement dated 25 April 2019 concerning the resignation of Ross McEwan as CEO of The Royal Bank of Scotland Group Plc, published via RNS and available at: https://otp.tools.investis.com/clients/uk/rbs1/rns1/regulatory-story.aspx?cid=365&newsid=1254782;

(b) an announcement dated 28 February 2019 concerning the declaration of a dividend by the Issuer, published via RNS and available at: https://otp.tools.investis.com/clients/uk/rbs1/rns1/regulatory-story.aspx?cid=365&newsid=1236616;

(c) an announcement dated 15 February 2019 concerning the publication of the 2018 Issuer Annual Report and Accounts (as defined below) and reproducing (unedited) the risk factors set out in the 2018 Annual Report and Accounts, published via RNS and available at: https://otp.tools.investis.com/clients/uk/rbs1/rns1/regulatory-story.aspx?cid=365&newsid=1233815;

(d) the annual report and accounts of the Issuer (including the audited consolidated annual financial statements of the Issuer, together with the audit report thereon) for the financial year ended 31 December 2018 (excluding the section headed "Top and emerging risks" on page 3) which was published via the RNS on 15 February 2019 (the **2018 Issuer Annual Report and Accounts**);

(e) the annual report and accounts of the Issuer (including the audited consolidated annual financial statements of the Issuer, together with the audit report thereon) for the financial year ended 31 December 2017 (excluding the section headed "*Top and emerging risks*" on page 5) which was published via the RNS on 23 February 2018 (the **2017 Issuer Annual Report and Accounts**);

(f) the terms and conditions of the Covered Bonds set out on pages 118 to 160 (inclusive) of the Base Prospectus dated 30 April 2010 and prepared by The Royal Bank of Scotland plc and RBS Covered Bonds Limited Liability Partnership in connection with the Programme;

(g) the terms and conditions of the Covered Bonds set out on pages 116 to 157 (inclusive) of the Base Prospectus dated 14 June 2011 and prepared by The Royal Bank of Scotland plc and RBS Covered Bonds Limited Liability Partnership in connection with the Programme;

(h) the terms and conditions of the Covered Bonds set out on pages 121 to 161 (inclusive) of the Base Prospectus dated 29 February 2012 and prepared by The Royal Bank of Scotland plc and RBS Covered Bonds Limited Liability Partnership in connection with the Programme;

(i) the terms and conditions of the Covered Bonds set out on pages 82 to 122 (inclusive) of the Base Prospectus dated 16 May 2013 and prepared by The Royal Bank of Scotland plc and RBS Covered Bonds Limited Liability Partnership in connection with the Programme;

(j) the terms and conditions of the Covered Bonds set out on pages 87 to 131 (inclusive) of the Base Prospectus dated 10 July 2015 and prepared by The Royal Bank of Scotland plc and RBS Covered Bonds Limited Liability Partnership in connection with the Programme;

(k) the terms and conditions of the Covered Bonds set out on pages 90 to 134 (inclusive) of the Base Prospectus dated 19 December 2016 and prepared by The Royal Bank of Scotland plc and RBS Covered Bonds Limited Liability Partnership in connection with the Programme;

(l) the terms and conditions of the Covered Bonds set out on pages 91 to 136 (inclusive) of the Base Prospectus dated 5 June 2018 and prepared by National Westminster Bank Plc and NatWest Covered Bonds Limited Liability Partnership in connection with the Programme; and

(m) the annual report and accounts of the LLP together with the audit reports thereon for the financial year ending 31 December 2017,

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 16 of the Prospectus Directive. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Any other information or other documents themselves incorporated by reference, either expressly or implicitly, in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus, except where such information or other information or other documents are specifically incorporated by reference into this Prospectus.

It should be noted that, except as set forth above, no other portion of the above documents is incorporated by reference into this Prospectus. In addition, where sections of any of the above documents which are incorporated by reference into this Prospectus cross-reference other sections of the same document, such cross-referenced information shall not form part of this Prospectus, unless otherwise incorporated by reference herein. Those parts of the documents incorporated by reference which are not specifically incorporated by reference in this Prospectus are either not relevant for prospective investors in the Covered Bonds or the relevant information is included elsewhere in this Prospectus.

The Annual report and accounts of the LLP together with the audit reports thereon for the financial year ending 31 December 2018 are attached to this Prospectus as Annex 1.

The Issuer 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 and oral requests for such documents should be directed to the Issuer at the address set out at the end of this Prospectus.

The Issuer and the LLP have each undertaken to the Dealers in the Programme Agreement to comply with section 87G of the FSMA.

Copies of the documents incorporated by reference in this Prospectus will be available for viewing (i) at the office of the Issuer at 250 Bishopsgate, London EC2M 4AA and (ii) on the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/news/market-news/market-news-home.html. Copies of the Issuer's report and accounts for the years ended 31 December 2017 and 31 December 2018 are available for viewing at the National Storage Mechanism (http://www.morningstar.co.uk/uk/NSM). Please note that websites and urls referred to herein do not form part of this Prospectus.

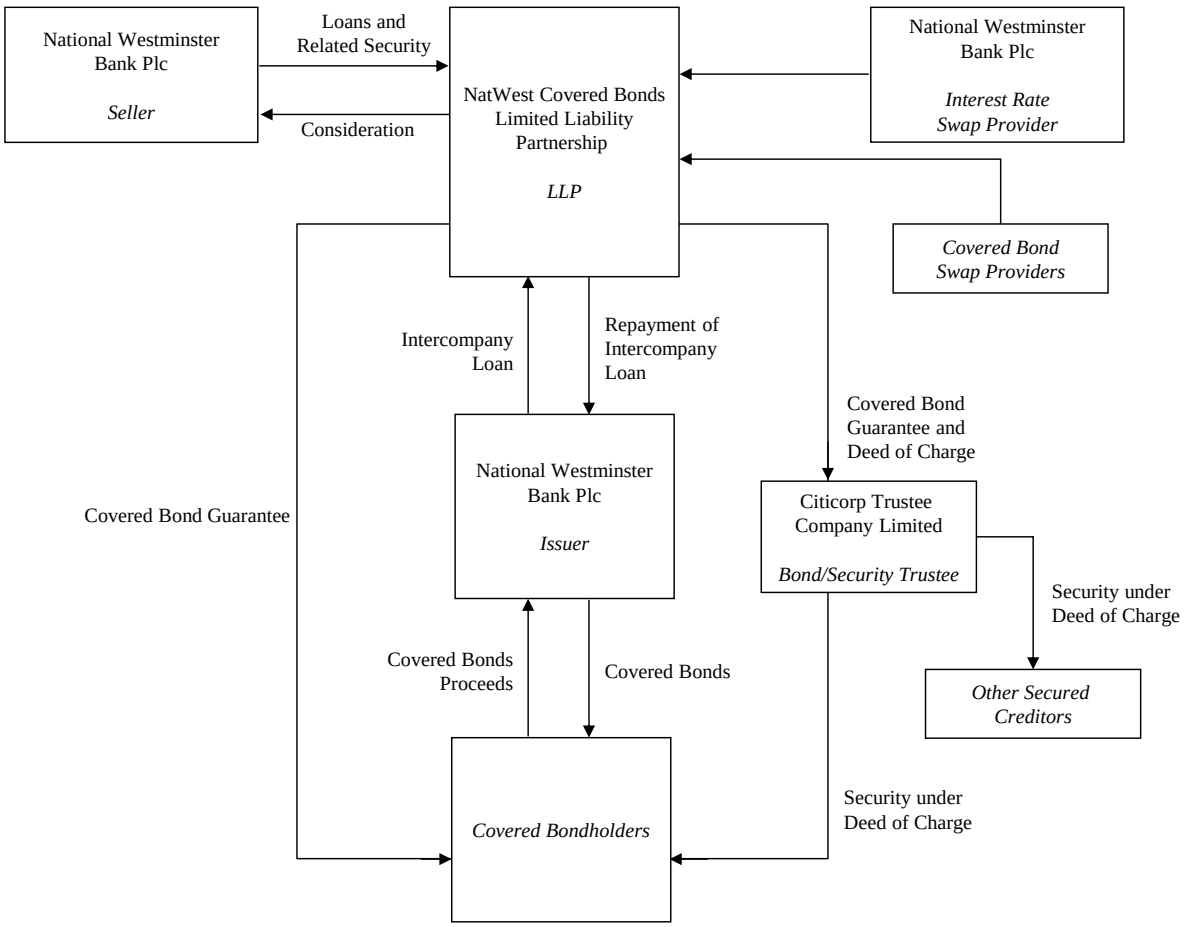
If the terms of the Programme are modified or amended in a manner which would make this Prospectus inaccurate or misleading, or in the event of any material mistake or inaccuracy which is capable of affecting the assessment of any Covered Bonds, a supplement to this Prospectus or a new Prospectus will 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 herein by reference. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area no civil liability will attach to either Responsible Person in such Member State in respect of this Structure Overview, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to information contained in this Prospectus is brought before a court in a Member State of the European Economic Area, the claimant may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated.

Words and expressions defined elsewhere in this Prospectus shall 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 on page 249.

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, unsubordinated 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, unsubordinated and (following the service of a Notice to Pay on the LLP or, if earlier, the service on the Issuer and the LLP of an LLP Acceleration Notice) unconditional obligations of the LLP, secured as provided in the Deed of Charge. The Bond Trustee will be required to serve a Notice to Pay on the LLP following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice. An LLP Acceleration Notice may be served by the Bond Trustee on the Issuer and the LLP following the occurrence of an LLP Event of Default.

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

- *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):

  (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 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 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 not exceeding the prescribed limit; and/or

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

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

(v) to make a deposit of all or part of the proceeds in the Deposit Account (including, without limitation, to fund the Reserve Fund to an amount not exceeding the prescribed limit). To protect the value of the Portfolio under the terms of the LLP Deed, the LLP and RBS 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 (a) a cash payment paid by the LLP to the Seller and/or (b) 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 (c) 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:

  (a) apply Available Revenue Receipts to pay interest due on the Term Advances (the proceeds of which the Issuer may apply to pay interest due on the Covered Bonds) and to pay Deferred Consideration to the Seller in respect of the 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, the Covered Bond Swap Providers and the Pre-Maturity Liquidity Ledger). For further details of the Pre-Acceleration Revenue Priority of Payments, see "*Cashflows*" below; and

  (b) apply Available Principal Receipts (i) to fund the Pre-Maturity Liquidity Ledger in respect of any liquidity that may be required in respect of Hard Bullet Covered Bonds following a breach of the Pre-Maturity Test; (ii) 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, funding the Pre-Maturity Liquidity Ledger and 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 remains outstanding) but prior to service of a Notice to Pay or an LLP Acceleration Notice and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP, the LLP will continue to apply Available Revenue Receipts and Available Principal Receipts as described above, except that, whilst any Covered Bonds remain outstanding:

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

(b) in respect of Available Principal Receipts, no payments will be made other than into the Deposit Account subject to exchange into the required currency (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) to pay Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment subject to paying certain higher ranking obligations of the LLP in the Guarantee Priority of Payments. In such circumstances, the Members of the LLP, including the Seller, will only be entitled to receive any remaining income of the LLP after all amounts due under the Covered Bond Guarantee in respect of the Covered Bonds have been paid in full or have otherwise been provided for.

Following the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice on the LLP and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP, the Covered Bonds will become immediately due and repayable as against the Issuer (if not already due and payable following the occurrence of an Issuer Event of Default) and the LLP's obligations under the Covered Bond Guarantee will become immediately due and repayable 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.

- *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 NatWest (in its capacity as a Member of the LLP) must ensure that on each Calculation Date, the Aggregate Adjusted Asset Amount will be in an amount equal to or in excess of the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on that Calculation Date. The Asset Coverage Test will be tested by the Cash Manager on each Calculation Date. A breach of the Asset Coverage Test on a Calculation Date which is not remedied on the immediately succeeding Calculation Date will require the Bond Trustee to serve an Asset Coverage Test Breach Notice on the LLP. The Asset Coverage Test Breach Notice will be revoked if, on any Calculation Date falling on or prior to the third Calculation Date following service of an Asset Coverage Test Breach Notice, the Asset Coverage Test is satisfied and neither a Notice to Pay nor an LLP Acceleration Notice has been served.

If an Asset Coverage Test Breach Notice has been delivered and remains outstanding:

(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 remains outstanding on 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 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 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 as against the Issuer (if not already due and payable following the occurrence of an Issuer Event of Default) and the LLP's obligations under the Covered Bond Guarantee will be accelerated and entitle the Security Trustee to 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 on the Extended Due for Payment Date (subject to any applicable grace period) set out in the relevant Final Terms. However, any amount representing the Final Redemption Amount due and remaining unpaid on the Extension Determination Date may be paid by the LLP in whole or in part 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 each relevant 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, NatWest in its capacity as a Member of the LLP will (a) within ten (10) London Business Days of the occurrence of the Cash Manager Relevant Event and (b) thereafter, if a Required Coupon Amount Shortfall exists, within five (5) London Business Days 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.

- Whilst 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*: NatWest has entered into the Servicing Agreement with the LLP and the Security Trustee, pursuant to which it has agreed to provide certain services in respect of the Loans and their Related Security sold by it to the LLP.

- *The Regulated Covered Bonds Regulations 2008*: On 1 April 2010, RBS was admitted to the register of issuers and the Programme was admitted to the register of regulated covered bonds under the RCB Regulations. National Westminster Bank Plc as the Issuer was admitted to the register of issuers on 26 June 2017.

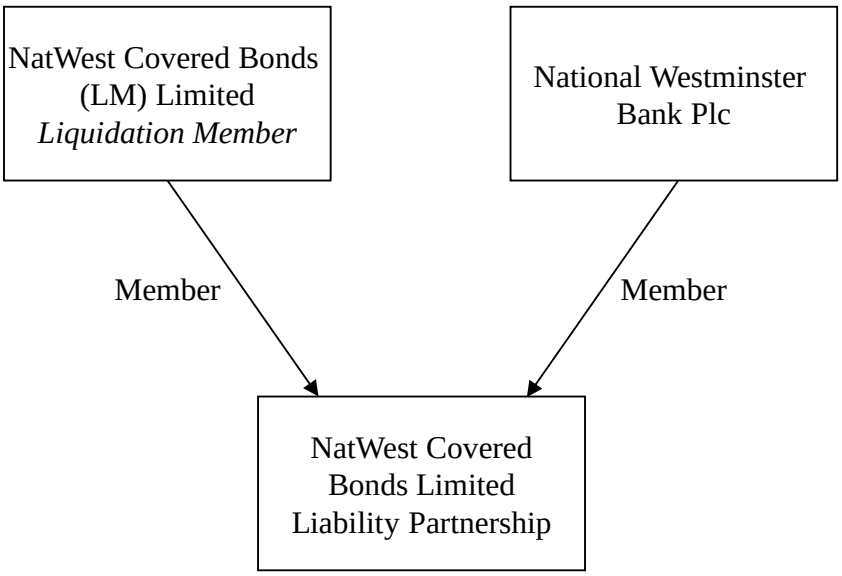
- *Further Information*: For a more detailed description of the transactions summarised above relating to the Covered Bonds see, among other relevant sections of this Prospectus, "*Overview of the Programme*", "*Terms and Conditions of the Covered Bonds*", "*Summary of the Principal Documents*", "*Credit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

Ownership Structure of NatWest Covered Bonds Limited Liability Partnership

- As at the date of this Prospectus, the Members of the LLP are NatWest and the Liquidation Member.

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

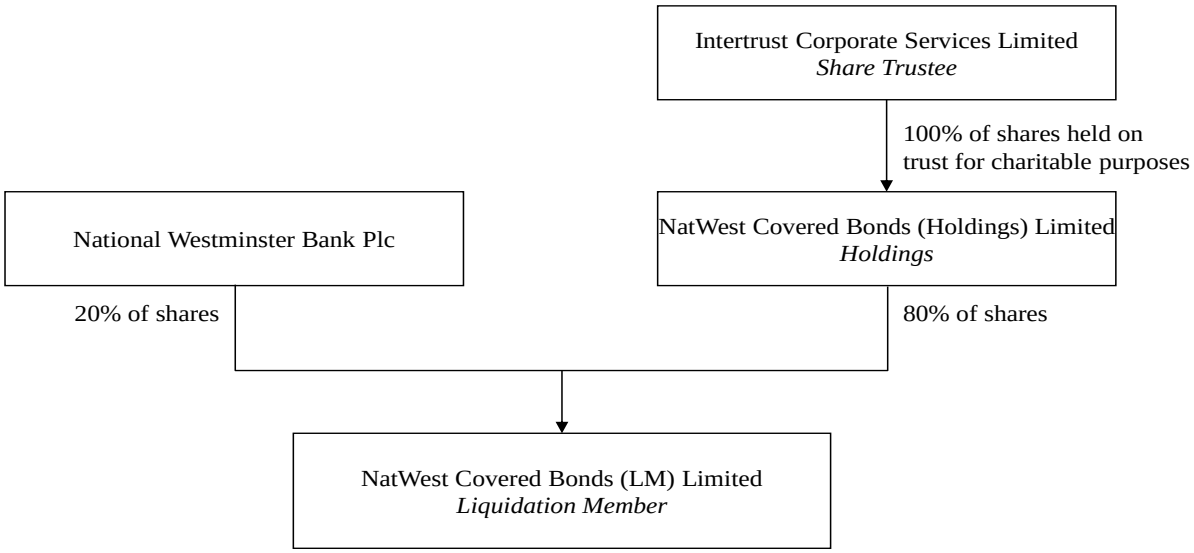
- Other than in respect of those decisions reserved to the Members, the LLP Management Committee (comprised of directors and/or employees of the Seller and the Liquidation Member) will manage and conduct the business of the LLP and will have all the rights, power and authority to act at all times for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



Ownership Structure of the Liquidation Member

- As at the date of this Prospectus, 80% of the issued share capital of the Liquidation Member is held by Holdings and 20% of the issued share capital of the Liquidation Member is held by NatWest.

- The entire issued capital of Holdings is held by Intertrust Corporate Services Limited (formerly known as SFM Corporate Services Limited) as share trustee on trust for charitable purposes.



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 Tranche of Covered Bonds, the applicable Final Terms. Words and expressions defined elsewhere in this Prospectus shall have the same meanings in this overview. A glossary of certain defined terms is contained at the end of this Prospectus on page 249.

Issuer:	National Westminster Bank Plc (**NatWest**), incorporated under the laws of England and Wales (registered number 00929027). Prior to the RFTS Effective Date, the Issuer under the Programme was RBS.
The LLP:	NatWest Covered Bonds Limited Liability Partnership, a limited liability partnership incorporated in England and Wales (partnership no. OC349504). The LLP changed its name from RBS Covered Bonds Limited Liability Partnership on 18 April 2018. The Members of the LLP on the date of this Prospectus are NatWest (in its capacity as the Seller) and the Liquidation 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, if earlier, an LLP Acceleration Notice. The obligations of the LLP under the Covered Bond 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 Seller under the Programme is National Westminster Bank Plc, which is in the business, *inter alia*, of originating and acquiring residential mortgage loans, and conducting other banking related activities. Prior to the RFTS Effective Date, RBS was a Seller under the Programme. National Westminster Home Loans Limited (**NWHL**), was originally a Seller under the Programme, but on

	1 November 2012 pursuant to the Deed of Novation, novated its rights and obligations under the Transaction Documents to which it is a party to NatWest including its rights and obligations as Seller.
Servicer:	Pursuant to the terms of the Servicing Agreement, NatWest has been appointed to service, on behalf of the LLP, the Loans and Related Security sold to the LLP by it. On the Initial Programme Date, NWHL was appointed as a Servicer in respect of the Loans sold to the LLP by it. On 1 November 2012, NWHL novated its rights and obligations under the Servicing Agreement to NatWest, and NatWest has agreed to service the Loans and the Related Security sold to the LLP by NWHL or by NatWest. Prior to the RFTS Effective Date, RBS was a Servicer under the Programme.
Back-Up Servicer Facilitator:	Intertrust Management Limited (formerly known as Structured Finance Management Limited), having its registered office at 35 Great St. Helen's, London EC3A 6AP, has been appointed to provide certain back-up servicer facilitator services to the Issuer, pursuant to the terms of the Servicing Agreement.
Cash Manager:	NatWest 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. Prior to the RFTS Effective Date, the Cash Manager under the Programme was RBS.
Back-Up Cash Manager Facilitator:	Intertrust Management Limited (formerly known as Structured Finance Management Limited), having its registered office at 35 Great St. Helen's, London EC3A 6AP, has been appointed to provide certain back-up cash manager facilitator services to the Issuer, pursuant to the terms of the Cash Management Agreement.
Principal Paying Agent:	Citibank, N.A., London Branch acting through its offices at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB has been appointed pursuant to the Agency Agreement as Principal Paying Agent.
Transfer Agent:	Citibank, N.A., London Branch acting through its offices at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB has been appointed pursuant to the Agency Agreement as Transfer Agent.
Registrar:	Citibank, N.A., London Branch acting through its offices at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB has been appointed pursuant

	to the Agency Agreement as Registrar.
Bond Trustee:	Citicorp Trustee Company Limited, whose registered office is at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB 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 covenant to pay and the Covered Bond Guarantee on behalf of the Covered Bondholders pursuant to the Trust Deed.
Security Trustee:	Citicorp Trustee Company Limited whose registered office is at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB 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 the other Secured Creditors) pursuant to the Deed of Charge.
Asset Monitor:	A reputable institution appointed pursuant to the Asset Monitor Agreement as an independent monitor to perform tests in respect of the Asset Coverage Test, and service as an asset pool monitor when required. The Asset Monitor has also been appointed as the "Asset Pool Monitor" (as defined in the RCB Regulations) for the purposes of the RCB Regulations (See "*Description of the UK Regulated Covered Bond Regime*" below). As at the date of this Prospectus, the Asset Monitor is Deloitte LLP.
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 Swaps and amounts payable by the LLP under the Intercompany Loan Agreement (prior to the service of a Notice to Pay) and under the Covered Bond Guarantee in respect of the Covered Bonds (after service of a Notice to Pay) by entering into one or more Covered Bond Swaps with the LLP and the Security Trustee under a Covered Bond Swap Agreement in respect of each relevant Series or Tranche of Covered Bonds (where applicable).
Interest Rate Swap Provider:	NatWest agrees to act as an Interest Rate 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 the interest basis payable by the LLP under the Covered Bond Swaps and/or, as applicable, where a Covered Bond Swap is not in place in respect of a Term Advance, the relevant Term Advance, by entering into the Interest Rate Swaps with

	the LLP and the Security Trustee under the Interest Rate Swap Agreement. Prior to the RFTS Effective Date, the Interest Rate Swap Provider under the Programme was RBS.
Account Bank:	Société Générale, London Branch in its capacity as such under the Bank Account Agreement together with any successor or replacement account bank or any additional or alternative account bank at which the LLP has an account from time to time.
Swap Collateral Account Bank:	HSBC Bank plc, appointed as a Swap Collateral Account Bank to the LLP pursuant to the terms of a Swap Collateral Account Bank Agreement made on 12 March 2013 and amended and restated on 19 December 2014 and 6 June 2018, together with any other swap collateral account bank at which the LLP has an account from time to time.
Liquidation Member:	NatWest Covered Bonds (LM) Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 7053120). The Liquidation Member changed its name from RBS Covered Bonds (LM) Limited on 18 April 2018. As at the date of this Prospectus, 80% of the issued share capital of the Liquidation Member is held by Holdings and 20% of the issued share capital of the Liquidation Member is held by NatWest.
Holdings:	NatWest Covered Bonds (Holdings) Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 7033644). Holdings changed its name from RBS Covered Bonds (Holdings) Limited on 18 April 2018. 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 35 Great St. Helen's, London EC3A 6AP.
Corporate Services Provider:	Intertrust Management Limited (formerly known as Structured Finance Management Limited), having its registered office at 35 Great St. Helen's, London EC3A 6AP, has been appointed to provide certain corporate services to the Liquidation Member and Holdings, pursuant to the Corporate Services Agreement.
Programme Description:	Global Covered Bond Programme.
Arranger:	NatWest Markets Plc.

Dealer:	NatWest Markets Plc and any other Dealer 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 the section of this Prospectus entitled "*Subscription and Sale and Transfer and Selling Restrictions*" below).
Programme Size:	Up to €25 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 under the Programme 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 the section of this Prospectus entitled "*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, the relevant Dealer(s), the Principal Paying Agent and the Bond Trustee (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, as set out in the relevant Final Terms.
Form of Covered Bonds:	The Covered Bonds will be issued in bearer or registered form as described in the section of this

	Prospectus entitled "*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 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: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (iii) 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), 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 relevant Final Terms.
N Covered Bonds:	The Issuer may issue N Covered Bonds (*Namensschuldverschreibung*) from time to time. For the avoidance of doubt, such N Covered Bonds will not be issued pursuant to this Prospectus. The N Covered Bonds will be governed by German law and will rank *pari passu* with all other Covered Bonds issued pursuant to the Programme from time to time.

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 otherwise specified in the applicable Final Terms.
Rating Agency Confirmation:	The issuance of all Covered Bonds shall be subject to confirmation by each of the Ratings Agencies that the then current ratings for any outstanding Covered Bonds will not be adversely affected by the issuance of such Covered Bonds. For more information on Rating Agency confirmations in respect of the Programme see the section of this Prospectus entitled "*Risk Factors – Rating Agency Confirmations in respect of Covered Bonds*" below.
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 (except 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 upon giving notice to the Covered Bondholders, 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).
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). 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 (Interest) 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.
Hard Bullet Covered Bonds:	Hard Bullet Covered Bonds may be offered and will be subject to a Pre-Maturity Test. The intention of the Pre-Maturity Test is to provide liquidity for the Hard Bullet Covered Bonds if the Issuer's credit ratings have fallen below a certain level.
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, except in certain limited circumstances, the minimum denomination of each 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.
Taxation:	All payments in respect of the Covered Bonds will be made without deduction or withholding for or on account of United Kingdom taxes, subject as provided in Condition 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 such additional amounts which will result in receipt by the Covered Bondholders of such amounts as would have been received by them had no such withholding or deduction been made. Under the Covered Bond Guarantee, the LLP will not be liable to pay any such additional amounts that would have been payable by the Issuer under Condition 7 (Taxation).
Cross Default:	If an Issuer Acceleration Notice is served in respect of one Series of Covered Bonds, then the Covered Bonds of all Series outstanding will be accelerated against the Issuer. If an LLP Acceleration Notice is served in respect of any one Series of Covered Bonds, then the obligation of the LLP to pay Guaranteed Amounts in respect of

	all Series of Covered Bonds outstanding will be accelerated.
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 and unsubordinated 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 the ratings specified in the applicable Final Terms on issuance.
Listing and admission to trading:	Application has been made to admit Covered Bonds (other than N Covered Bonds) issued under the Programme to the Official List and to admit the Covered Bonds to trading on the regulated market of the London Stock Exchange. For the avoidance of doubt, such N Covered Bonds will not be issued pursuant to this Prospectus. The Programme provides that Covered Bonds may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or regulated or unregulated markets as may be agreed between the Issuer, the LLP, the Bond Trustee (as defined below) and the relevant Dealer(s). The Issuer may also issue unlisted Covered Bonds and/or Covered Bonds not admitted to trading on any regulated or unregulated market. All Covered Bonds will have the benefit of the Covered Bond Guarantee and the Security granted by the LLP in respect of the Charged Property. For the avoidance of doubt, unlisted Covered Bonds and/or

	Covered Bonds not admitted to trading on any regulated or unregulated market will not be issued pursuant to this Prospectus.
The RCB Regulations:	On 1 April 2010, RBS was admitted to the register of issuers and the Programme was admitted to the register of regulated covered bonds under the RCB Regulations. National Westminster Bank Plc as the Issuer was admitted to the register of issuers on 26 June 2017.
Governing Law:	The Covered Bonds will be governed by, and construed in accordance with, English law. N Covered Bonds shall be governed by, and construed in accordance with, the laws of the Federal Republic of Germany. The English courts shall have exclusive jurisdiction in the event of any dispute arising out of or in connection with each N Covered Bond (including a dispute relating to any non-contractual rights and obligations) in respect of the N Covered Bonds.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of any Tranche of Covered Bonds in the United States, the European Economic Area (which includes the United Kingdom and the Czech Republic) and Japan. Other restrictions may apply in connection with the offering and sale of a particular Series of Covered Bonds. See the section of this Prospectus entitled "*Subscription and Sale and Transfer and Selling Restrictions*" below.
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 in the section of this Prospectus entitled "*Risk Factors*" from page 28 of this Prospectus.

RISK FACTORS

This section describes the principal risk factors associated with an investment in the Covered Bonds. This section of this Prospectus is divided into three main sections – General Risk Factors, Risk Factors relating to the Issuer and Risk Factors relating to the LLP.

Any investment in the Covered Bonds issued under the Programme will involve risks including those described in this section. All principal or material risks in relation to the Issuer, the LLP and any investment in the Covered Bonds are included in this section. The risks and uncertainties described below are not the only ones that the Issuer and the LLP may face. Additional risks and uncertainties that the Issuer and the LLP are unaware of, or that they currently deem to be immaterial, may also become important risk factors that affect them. Prospective investors should carefully consider the following discussion of the risk factors and the other information in this Prospectus before deciding whether an investment in the Covered Bonds is suitable for them.

In addition, factors which are material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme are also described below.

General Risk Factors

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 or priority 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, service by the Bond Trustee on the LLP of an LLP Acceleration Notice. The occurrence of an Issuer Event of Default does not constitute an LLP Event of Default. However, failure by the LLP to pay amounts when Due for Payment under the Covered Bond Guarantee would constitute an LLP Event of Default which would entitle the Bond Trustee to accelerate the obligations of the Issuer under the Covered Bonds (if they have not already become due and payable) and the obligations of the LLP under the Covered Bond Guarantee and the Security Trustee to enforce the Security.

Obligations under the Covered Bonds

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

Covered Bonds issued under the Programme

Save in respect of the first issue of 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 will, following enforcement of the Security, rank *pari passu* with each other in all respects and will share in the security granted by the LLP under the Deed of Charge. If an Issuer Event of Default occurs in respect of a particular Series of Covered Bonds, the Covered Bonds of all Series outstanding will accelerate at the same time against the Issuer (following service of an Issuer Acceleration Notice) but will be subject to, and have the benefit of, payments made by the LLP under the Covered Bond Guarantee (following service of a Notice to Pay). If an LLP Event of Default occurs, following service of an LLP Acceleration Notice, the Covered Bonds of all Series outstanding will accelerate against the Issuer (if not already accelerated following an Issuer Event of Default) and the obligations of the LLP under the Covered Bond Guarantee will accelerate. In order to ensure that any further issue of Covered Bonds under the Programme does not adversely affect the existing Covered Bondholders:

- 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) only: (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 only:

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

  (e) to make a deposit of all or part of the proceeds in the Deposit Account (including, without limitation, to fund the Reserve Fund to an amount not exceeding the prescribed limit);

- 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 that such further issue would not adversely affect the then current ratings of the existing Covered Bonds. For further information on Rating Agency Confirmations in respect of the Programme see the section of this Prospectus entitled "*Risk Factors – Rating Agency Confirmations in respect of Covered Bonds*" below.

Extendable obligations under the Covered Bond Guarantee

Following the failure by the Issuer to pay all or part of 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 (1) Business Day prior to the Extension Determination Date), payment of the Guaranteed Amounts corresponding to the relevant unpaid 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 unpaid 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 of the relevant Series of Covered Bonds will be specified in the relevant Final Terms. Interest will continue to accrue and be payable on the unpaid amount in accordance with Condition 4 (Interest) and the LLP will pay Guaranteed Amounts constituting Scheduled Interest on each 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 Due for Payment Date or the Extended Due for Payment Date will (subject to any applicable grace period) be an LLP Event of Default.

The extension period for each Series of Covered Bonds may be for different periods of time. In accordance with the Guarantee Priority of Payments, Covered Bonds with an Extended Due for Payment Date falling one (1) year or less from the relevant LLP Payment Date will be paid in priority to a Series of Covered Bonds with an Extended Due for Payment Date falling more than one (1) year after the relevant LLP Payment Date.

The LLP will be entitled to apply principal collections it receives in respect of the Loans together with the principal proceeds of the sale of any Substitution Assets it holds in order to repay earlier maturing Series of Covered Bonds, which may mean that there may be fewer assets available to support later maturing Series of Covered Bonds.

Liquidity in the secondary market may adversely affect the market value of the Covered Bonds

There is, at present, a limited active and liquid secondary market for the Covered Bonds, and there can be no assurance that a secondary market for the Covered Bonds will continue to develop or develop at any specific rate. 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*". If a secondary market does develop, 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.

The secondary market for covered bonds and mortgage-backed securities has in recent years experienced severe disruptions from time to time as a result of reduced investor demand for such

securities. Any such relevant investor demand has had and could in the future have a materially adverse impact on the market value of covered bonds and resulted in the secondary market for such securities experiencing very limited or reduced liquidity. Structured investment vehicles, hedge funds, issuers of collateralised debt obligations and other similar entities were forced to sell securities held by them into the secondary market. Limited liquidity in the secondary market may have an adverse effect on the market value of covered bonds and mortgage-backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the requirements of limited categories of investors. Consequently, whilst these market conditions continue to persist, an investor in covered bonds may not be able to sell or acquire credit protection on its covered bonds readily and market values of covered bonds are likely to fluctuate. Any of these fluctuations may be significant and could result in significant losses to covered bondholders. Though current market conditions have shown signs of improvement in certain sectors, it is not known for how long the market conditions will continue or whether they will worsen. A deterioration in wholesale funding markets may have an adverse effect on all UK financial services institutions including the Issuer.

Ratings of the Covered Bonds

The ratings assigned to the Covered Bonds to be issued under the Programme by Fitch address the probability of default and the loss given default of the Covered Bonds and the ratings assigned to the Covered Bonds by Moody's address the expected loss posed to potential investors.

The expected ratings of the Covered Bonds will be set out in the relevant Final Terms for each Series of Covered Bonds. In addition, the Final Terms will specify which Rating Agencies are giving a credit rating to the relevant Series of Covered Bonds. A relevant Series of Covered Bonds may be rated by one or more Rating Agencies as set out therein. However Covered Bondholders should be aware that any issuance of Covered Bonds will, subject to the comments made below in "*Risk Factors – Rating Agency Confirmation in respect of Covered Bonds*", be subject to written confirmation from the Rating Agencies that such issuance will not adversely affect the then current ratings of the existing Covered Bonds. Any Rating Agency may lower its rating or withdraw its rating if, in the sole judgement of the Rating Agency, the credit quality of the Covered Bonds has declined or is in question. If any rating assigned to the Covered Bonds is lowered or withdrawn, the market value of the Covered Bonds may be reduced.

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. 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.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. A 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.

In general, European regulated investors are restricted under Regulation (EU) No. 1060/2009 (as amended) (the **CRA Regulation**) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the 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 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.

Rating Agency Confirmation in respect of Covered Bonds

The terms of certain of the Transaction Documents provide that, in certain circumstances, the Issuer, a Covered Bond Swap Provider and/or the Interest Rate Swap Provider must, and the Bond Trustee or the Security Trustee may, obtain written confirmation (or, in the case of Moody's, affirmation) from Fitch and Moody's that any action proposed to be taken by the Issuer, the LLP, the Seller, the Servicer, the Cash Manager, a Covered Bond Swap Provider and/or the Interest Rate Swap Provider, 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**). In addition, certain actions under the Transaction Documents require that Moody's provides a Rating Agency Confirmation and that such action is notified to Fitch before such an action can be undertaken pursuant to the Transaction Documents (the **Rating Condition**). However Covered Bondholders should be aware that if: (a) a confirmation or affirmation 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 Seller, the Cash Manager, the Servicer, the Bond Trustee and/or the Security Trustee, as applicable (each a **Requesting Party**) and one or more of the Rating Agencies (each a **Non-Responsive Rating Agency**) indicates that it does not consider such confirmation, affirmation or response necessary in the circumstances, the Requesting Party shall be entitled to disregard the requirement for a confirmation or affirmation of rating or other response by each Non-Responsive Rating Agency and proceed on the basis of the confirmations or affirmations of rating or other responses received by each other Rating Agency or, if no such confirmation or affirmation of rating or other response is received from any Rating Agency, on the basis that such confirmation or affirmation of rating or other response by a Rating Agency is not required in the particular circumstances of the request.

If a Rating Agency does not respond to a written request for a confirmation or affirmation, such non-response shall not be interpreted to mean that such Rating Agency has given any deemed confirmation or affirmation of rating or other response in respect of such action or step.

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 or satisfaction of the Rating Condition, 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 (a) permitted by the terms of the relevant Transaction Document, or (b) 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 a Rating Agency has 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 the 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 a Rating Agency 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 confirmation, affirmation or response by a Rating Agency may be given or not given at the sole discretion of such 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 confirmation, affirmation or response by a Rating Agency 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 securities form part since the issuance closing date. A Rating Agency Confirmation or satisfaction of the Rating Condition 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.

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. 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 and Clearstream, Luxembourg 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.

Changes or uncertainty in respect of LIBOR and EURIBOR, and/or other interest rate benchmarks may affect the value or payment of interest under the Covered Bonds

Various interest rate benchmarks (including LIBOR and EURIBOR) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still being implemented, including pursuant to the EU Benchmark Regulation (Regulation (EU) 2016/1011) (the **Benchmark Regulation**).

The sustainability of LIBOR has been questioned by the FCA as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, and in a subsequent speech by its Chief Executive on 12 July 2018, the UK Financial Conduct Authority (**FCA**) confirmed that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the **FCA Announcements**). The FCA Announcements indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average (**SONIA**) over the next four years across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

Separate workstreams are also underway in Europe to reform EURIBOR using a hybrid methodology and to provide a fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate

as adjusted by a methodology to create a term rate). On 13 September 2018, the working group on euro risk-free rates recommended Euro Short-term Rate (**€STR**) as the new risk free rate. €STR is expected to be published by the ECB by October 2019. In addition, on 21 January 2019, the euro risk free-rate working group published a set of guiding principles for fallback provisions in new euro denominated cash products (including bonds). The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts may increase the risk to the euro area financial system.

These reforms and other pressures may cause one or more interest rate benchmarks to disappear entirely, to perform differently than in the past (as a result of a change in methodology or otherwise), create disincentives for market participants to continue to administer or participate in certain benchmarks or have other consequences which cannot be predicted. 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 any Covered Bonds linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

Based on the foregoing, prospective investors should in particular be aware that:

(a) any of these reforms or pressures described above or any other changes to a relevant interest rate benchmark (including LIBOR and EURIBOR) 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 LIBOR or EURIBOR is discontinued or is otherwise unavailable, then the rate of interest on the Covered Bonds will be determined for a period by the fall-back provisions provided for under Condition 4 (*Interest*) of the Terms and Conditions of the Covered Bonds, although such provisions, being dependent in part upon the provision by reference banks of offered quotations for leading banks in the London interbank market (in the case of LIBOR) or in the Euro-zone interbank market (in the case of EURIBOR), 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 LIBOR or EURIBOR was available;

(c) while an amendment may be made under Condition 14(d) in the Terms and Conditions of the Covered Bonds to change the LIBOR or EURIBOR rate (as applicable) on the relevant Floating Rate Covered Bonds to an alternative base rate under certain circumstances broadly related to LIBOR or EURIBOR (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 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 in this risk factor may become relevant; and

(d) if LIBOR, EURIBOR 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 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 LIBOR, EURIBOR or any other relevant interest rate benchmark could affect the ability of the Issuer or the Guarantor 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 LIBOR, EURIBOR or any other relevant interest rate benchmark could result in adjustment to the Conditions, early redemption, discretionary valuation by the Issuer, delisting or other consequences in relation to the Covered Bonds. No assurance may be provided that relevant changes will not occur with respect to LIBOR, EURIBOR 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.

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

Investors should be aware that the market continues to develop in relation to the Sterling Overnight Index Average (SONIA) as a reference rate in the capital markets and its adoption as an alternative 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. 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. Further, if the Floating Rate Covered Bonds become due and payable under Condition 9, the Rate of Interest payable shall be determined on the date 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.

Harmonisation of the EU covered bond framework

It should be noted that in March 2018, the European Commission published legislative proposals for a more harmonised EU covered bond framework. The proposals are made up of a draft directive (replacing current article 52(4) of the UCITS Directive) and intended to establish a revised common base-line for issue of covered bonds for EU regulatory purposes; and a draft regulation (amending article 129 of the Capital Requirements Regulation and certain related provisions) intended to strengthen the requirements for covered bonds to receive preferential capital treatment. The new legislation is expected to be finalised and come into effect in Q3/Q4 2019 (although there will be a two and a half year transposition period after the effective date). As a result, the final position, including the effective date and the date from which the new regime will apply (aspects of which will require transposition by member states through national laws) are not yet known. Therefore, there can be no assurances or predictions made as to the precise effect of the new regime on the Covered Bonds.

RISK FACTORS RELATED TO THE STRUCTURE OF A PARTICULAR ISSUE OF COVERED BONDS

A wide range of Covered Bonds 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:

Covered Bonds subject to Optional Redemption by the Issuer

If an Issuer Call is specified in the applicable Final Terms, the Issuer may elect to redeem all or some of the Covered Bonds at the Optional Redemption Amount (specified in the applicable Final Terms) plus Accrued Interest. 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.

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.

Fixed Rate Covered Bonds

Investment in Fixed Rate Covered Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Covered Bonds.

Variable Interest Covered Bonds with a multiplier or other leverage factor

Covered Bonds with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

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 rates on its Covered Bonds.

Covered Bonds issued at a substantial discount or premium

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

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 has the ability to agree to or direct the Security Trustee to agree to certain modifications, waivers and authorisations

under the Covered Bonds (including, without limitation, the N Covered Bonds) and the Transaction Documents (including the waiver of any Issuer Event of Default and/or LLP Event of Default) without consultation with, or the consent or sanction of the Covered Bondholders or the other Secured Creditors.

Subject as provided in Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution) and the Trust Deed, the Bond Trustee must, or must direct the Security Trustee to, agree to modifications, waivers and authorisations as referred to above if so directed by (a) an Extraordinary Resolution of the Covered Bondholders of the relevant one or more Series or (b) the holders of not less than 25% of the Principal Amount Outstanding of the Covered Bonds of the relevant one or more Series.

In the case of the waiver of an Issuer Event of Default or an LLP Event of Default, the relevant one or more Series will be all Series taken together as a single Series. In all other cases referred to above, the relevant one or more Series will be those Series which, in the opinion of the Bond Trustee, are affected by the modification, waiver or authorisation, taken together as a single Series if, in the opinion of the Bond Trustee, there is no conflict between the interests of the Covered Bondholders of the affected Series, but otherwise taken separately.

See further Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution) for more particulars of the modification, waiver and authorisation provisions applicable to the Covered Bonds.

Covered Bondholders will be deemed to have consented to certain modifications to the Transaction Documents so long as at least 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds have not contacted the Bond Trustee in writing

In addition to the right of the Bond Trustee to make certain modifications to the Transaction Documents without the consent of Covered Bondholders described under "*—The Bond Trustee and the Security Trustee may agree to modifications to the Transaction Documents without, respectively, the Covered Bondholders' or Secured Creditors' prior consent*", the Bond Trustee shall, without any consent or sanction of the Covered Bondholders or any of the other Secured Creditors, 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 changing the Reference Rate to an Alternative Base Rate as further described in Condition 14(d) (*Meetings of Covered Bondholders, Modification and Waiver*) on the relevant Series of Covered Bonds outstanding (and such other amendments as are necessary or advisable in the reasonable judgment of the Issuer to facilitate such change, such amendments do not constitute a Series Reserved Matter) to the extent there has been or there is reasonably expected to be a material disruption or cessation to LIBOR, in each case subject to the satisfaction of certain requirements, including receipt by the Bond Trustee of a Base Rate Modification Certificate, certifying, among other things, that the modification is required for its stated purpose.

The Issuer must provide at least 30 days' notice to the Covered Bondholders of the proposed modification in accordance with Condition 13 (*Notices*) and by publication on Bloomberg on the "Company News" screen relating to the Covered Bonds 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 Bond Trustee in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Covered Bonds may be held) within such notification period notifying the Bond Trustee that such Covered Bondholders do not consent to the 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 Bond Trustee 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 modification, then such modification will not be made unless an Extraordinary Resolution of the Covered Bondholders of the of the relevant Series then outstanding is passed in favour of the Base Rate Modification in accordance with Condition 14(d) (*Meetings of Covered Bondholders, Modification and Waiver*). However, in the absence of such a notification, all Covered Bondholders will be deemed to have consented to such modification and the Bond Trustee shall, subject to the requirements of Condition 14(d) (*Meetings of Covered Bondholders, Modification and Waiver*), 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, concur with the Issuer in making the proposed modification.

Therefore, it is possible that a modification could be made without the vote of any Covered Bondholders or even if holders 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 to promptly receive notices sent to Covered Bondholders from any custodians or other intermediaries through which they hold their 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.

Certain decisions of the Covered Bondholders taken at Programme level

The Bond Trustee may be directed to serve an Issuer Acceleration Notice following an Issuer Event of Default, to serve an LLP Acceleration Notice following an LLP Event of Default, to take any enforcement action or to direct the Security Trustee to take any enforcement action only by an Extraordinary Resolution passed at a single meeting of all the Covered Bondholders of all Series then outstanding or by the holders of not less than 25% of the Principal Amount Outstanding of the Covered Bonds of all Series then outstanding subject, in each case, to being indemnified and/or secured to its satisfaction.

See further Condition 9 for more particulars of the acceleration and enforcement provisions applicable to the Covered Bonds (including, without limitation, the N Covered Bonds).

Devolution of taxing powers to the Scottish Parliament

On 23 March 2016 the Scotland Act 2016 received Royal Assent and passed into UK law. Among other things, the Scotland Act 2016 passes control of certain aspects of income tax to the Scottish Parliament by giving it the power to raise or lower the rate of income tax and thresholds for non-dividend and non-savings income of Scottish residents. Whilst the majority of the provisions are not expected to have an adverse impact on the Scottish economy or on mortgage origination in Scotland, increased powers for the Scottish Parliament to control income tax could mean that Borrowers in Scotland are subject to a different rate of income tax from Borrowers in the same income bracket in England and Wales, which may affect some Borrowers' ability to pay amounts when due on the Loans originated in Scotland, and which, in turn, may adversely affect payments by the Issuer on the Covered Bonds.

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, Scots law) in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to English law, Welsh law or Scots law (including any change in regulation which may occur without a change in primary

legislation) or administrative practice or tax treatment in the United Kingdom 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.

UK regulated covered bond regime

On 1 April 2010, RBS was admitted to the register of issuers and the Programme was admitted to the register of regulated covered bonds. National Westminster Bank Plc as the Issuer was admitted to the register of issuers on 26 June 2017.

The UK regulatory authorities 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. Moreover, the UK regulatory authorities 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 enforcement actions may adversely affect the ability of the Issuer and/or the LLP to meet its obligations under the Covered Bonds and reduce the amounts available to pay Covered Bondholders.

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

Expenses of insolvency officeholders

Under the RCB Regulations, following the realisation of any asset pool security (excluding circumstances where there is a concurrent winding-up of the LLP) certain costs and expenses are payable out of the fixed and floating charge assets of the LLP in priority to the claims of other Secured Creditors (including the Covered Bondholders). Such costs and expenses are also payable out of the floating charge assets of the LLP (but 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 disbursements made by the officeholder (including an administrative receiver, liquidator or administrator) in respect of costs in relation to certain senior service providers and hedge counterparties and also general expenses incurred in the corresponding insolvency proceedings in respect of the LLP (which could include any corporation tax charges). This is a departure from the general position under English law which provides that the expenses of any administration (and, following the implementation of a new section 176ZA of the Insolvency Act 1986 on 6 April 2008, 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 HM Revenue & Customs) in relation to such subordination provisions.

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

Insolvency Act 2000

Significant changes to the United Kingdom insolvency regime have been enacted since 2000, including the Insolvency Act 2000, the relevant provisions of which came into force on 1 January 2003. The Insolvency Act 2000 allows certain "small" companies to seek protection from their creditors for a period of twenty-eight (28) days for the purposes of putting in place a company voluntary arrangement with the option for creditors to extend the moratorium for a further two (2) months. The moratorium provisions of the Insolvency Act 2000 do not expressly state that they apply to limited liability partnerships (such as the LLP). Prior to 1 October 2005, there was some doubt as to whether the moratorium provisions of the Insolvency Act 2000 applied to limited liability partnerships such as the LLP. However, on 1 October 2005, the Limited Liability Partnership (Amendment) Regulations 2005 made it clear that the moratorium provisions apply to limited liability partnerships subject to certain modifications.

A "small" company is defined as one which satisfies two or more of the following criteria: (a) its turnover is not more than £10.2 million; (b) its balance sheet total is not more than £5.1 million; and (c) the number of employees is not more than fifty (50). The position as to whether or not a company is a "small" company may change from time to time and consequently no assurance can be given that the LLP, at any given time, will not be determined to be a "small" company. The United Kingdom Secretary of State for Business, Innovation and Skills may by regulation modify the eligibility requirements for "small" companies and can make different provisions for different cases. No assurance can be given that any such modification or different provisions will not be detrimental to the interests of the Covered Bondholders.

Secondary legislation has now been enacted which excludes certain special purpose companies in relation to capital markets transactions from the optional moratorium provisions. Such exceptions include (a) a company which, at the time of filing for a moratorium, is a party to an agreement which is or forms part of a "capital market arrangement" (as defined in the secondary legislation) under which a party has incurred, or when the agreement was entered into was expected to incur, a debt of at least £10 million and which involves the issue of a "capital market investment" (also defined but generally a rated, listed or traded bond) and (b) a company which, at the time of filing for a moratorium, has incurred a liability (including a present, future or contingent liability and a liability payable wholly or partly in a foreign currency) of at least £10 million. Whilst the LLP is expected to fall within one of the exceptions there is no guidance as to how the legislation will be interpreted and the Secretary of State for Business, Innovation and Skills may by regulation modify the exceptions. No assurance can be given that any modification of the exceptions will not be detrimental to the interests of the Covered Bondholders. Correspondingly, if the LLP is determined to be a "small" company and determined not to fall within one of the exceptions, then certain actions in respect of the LLP may, for a period, be prohibited by the imposition of a moratorium.

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 "*Transaction Documents – Deed of Charge*"). In certain circumstances, including the occurrence of certain insolvency events in respect of the LLP, the ability to realise the Security may be delayed and/or the value of the Security impaired. Whilst the transaction structure is designed to minimise the likelihood of the LLP becoming insolvent, there can be no assurance that the LLP will not become insolvent and/or the subject of insolvency 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 insolvency laws).

In addition, it should be noted that, to the extent that the assets of the LLP are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge), in certain circumstances under the provisions of section 176A of the Insolvency Act 1986, certain floating charge realisations which would otherwise be available to satisfy the claims of Secured Creditors under the Deed of Charge may be used to satisfy any claims of unsecured creditors. Whilst 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 of the Insolvency Act 1986 will not apply with respect to the LLP and its floating charge assets.

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 focussed on provisions involving the subordination of a swap 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 Excluded Swap Termination Amounts.

The English Supreme Court held 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. The implications of this conflict remain unresolved.

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 Payment which refers to the ranking of a swap counterparty's payment rights in respect of Excluded Swap Termination Amounts). 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 a 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-US 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 Bonds.

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 Excluded Swap Termination Amounts, 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.

RISK FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH COVERED BONDS ISSUED UNDER THE PROGRAMME

Risk Factors relating to the Issuer

Prospective investors should consider the section entitled "Risk Factors" provided in pages 132 to 141 in the 2018 Issuer Annual Report and Accounts as referred to in "Documents Incorporated by Reference" above.

For the purposes of this Prospectus, the risk factor headed "Uncertainties surrounding the UK's withdrawal from the European Union may adversely affect the Group" on pages 133 to 134 of the 2018 Issuer Annual Report and Accounts, is replaced with the following:

Political uncertainty

On 23 June 2016 the UK held a referendum on whether the UK should remain a member of the European Union. The UK voted to leave the European Union and, on 29 March 2017, the UK Government invoked article 50 of the Lisbon Treaty and officially notified the European Union of its decision to withdraw from the European Union. This commenced the formal two-year process of negotiations regarding the terms of the withdrawal and the framework of the future relationship between the UK and the European Union (the **article 50 withdrawal agreement**). As part of those negotiations, a transitional period has been agreed in principle which would extend the application of European Union law, and provide for continuing access to the European Union single market, until the end of 2020 and possibly longer.

The article 50 withdrawal agreement has not yet been ratified by the UK or the European Union. The parties have agreed to an extended time line which allows for ratification to take place any time prior to 31 October 2019. To the extent ratification does take place ahead of 31 October 2019, the UK would leave on the first date of the month following ratification. However, it remains uncertain whether the article 50 withdrawal agreement, or any alternative agreement, will be finalised and ratified by the UK and EU ahead of the deadline. If that deadline of 31 October 2019 is not met, unless the negotiation period is further extended or the Article 50 notification revoked, the Treaty on the European Union and the Treaty on the Functioning of the EU will cease to apply to the UK and the UK will lose access to the EU single market. Whilst continuing to discuss the article 50 withdrawal agreement and political declaration, the UK Government has commenced preparations for a "hard" Brexit (or "no-deal" Brexit) to minimise the risks for firms and businesses associated with an exit with no transitional agreement. This has included publishing draft secondary legislation under powers provided in the EU (Withdrawal) Act 2018 to ensure that there is a functioning statute book after any exit without a transitional period. The European authorities have not provided UK firms and businesses with similar assurances in preparation for a 'hard' Brexit.

Due to the ongoing political uncertainty as regards the terms of the UK's withdrawal from the European Union and the structure of the future relationship, it is not possible to determine the precise impact on general economic conditions in the UK (including on the performance of the UK housing market) and/or on the business of the Issuer or any other party to the Transaction Documents.

Prospective investors should also note that the regulatory position of the Covered Bonds may be affected as a result of regulatory requirements (including provisions made in the EU covered bond reform package, as to which please refer to "*Regulatory treatment of Covered Bonds*") which restrict the availability of preferential treatment (including with respect to investment limits, regulatory capital and liquidity standards) to covered bonds issued by a credit institution with its registered office in an EEA state and subject to continued supervision by the relevant designated competent authority in the EEA.

It is uncertain whether such preferential treatment will remain available in respect of the Covered Bonds following the departure of the UK from the European Union and this will depend in part on the terms of the UK's exit. Investors in the Covered Bonds are responsible for analysing their own regulatory position and none of the Issuer or the Arranger makes any representation to any prospective investor regarding the regulatory treatment of their investment at the time of investment or at any time in the future.

Investors should also note that future UK political developments, including but not limited to the UK departure from the EU and/or any changes in government structure and policies, could affect the fiscal, monetary and regulatory landscape to which the NatWest Group is subject and also therefore its financing availability and terms. Consequently no assurance can be given that the NatWest Group's operating results, financial condition and prospects would not be adversely impacted as a result.

In general, no assurance can be given that any of the matters outlined above would not adversely affect the ability of the Issuer to satisfy its obligations under the Covered Bonds and/or the market value or liquidity of the Covered Bonds.

UK Banking Act 2009 and the EU Recovery and Resolution Framework

The UK Banking Act 2009 (the **Banking Act**) has conferred substantial powers on a number of UK authorities designed to enable them to take a range of actions in relation to UK deposit-taking institutions which are considered to be at risk of failing. The exercise of any of these actions in relation to the Issuer could materially adversely affect the value of the Covered Bonds.

The Banking Act, which came into effect on 21 February 2009, includes (among other things) provision for a special resolution regime (the **SRR**) pursuant to which specified UK authorities have extended tools to deal with the failure (or likely failure) of a UK bank or building society such as the Issuer. In addition, pursuant to recent amendments made to the Banking Act (some of which have not yet taken effect), provision has been made for certain tools to be used in respect of a wider range of UK entities, including investment firms and certain banking group companies provided that certain conditions are met. 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 certain contractual arrangements in certain circumstances) and special insolvency procedures which may be commenced by the UK authorities.

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 systems of the United Kingdom. The Banking Act includes provisions related to compensation in respect of transfer 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.

If an instrument or order were to be made under the Banking Act in respect of the Issuer, such instrument or order may (among other things) affect the ability of such entity to satisfy its obligations

under the Transaction Documents (including limiting its capacity to meet its Payment obligation) and/or result in the cancellation, modification or conversion of certain unsecured liabilities of such entities or in such 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 certain trust arrangements to be removed or modified and/or via powers which permit provision to be included in an instrument or order such that the relevant instrument or order (and certain related events) is required to be disregarded in determining whether certain widely defined "default events" have occurred (which events would include certain trigger events included in the Transaction Documents in respect of the Issuer, including certain trigger events in respect of perfection of legal title to the Loans and certain Issuer Events of Default). Moreover, other than in the context of certain partial property transfers under the Banking Act, modifications may be made to contractual arrangements between the relevant institution and certain group companies (such as the LLP). As a result, the making of an instrument or order in respect of the Issuer, the Seller, the Servicer, the Account Bank, a Swap Collateral Account Bank, the Interest Rate Swap Provider, a Covered Bond Swap Provider, the Cash Manager, the Principal Paying Agent or the Registrar may affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee and/or the ability of the Issuer to meet its obligations in respect of the Covered Bonds. Whilst there is power for the payment of compensation to be ordered 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.

At present, the UK authorities have not made an instrument or order under the Banking Act in respect of the Issuer and there has been no indication that it will make any such instrument or order, 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. 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.

As noted above, amendments have been made to the Banking Act such that specified stabilisation tools may be used in respect of certain group companies provided certain conditions are met. The amendments to the Banking Act allow all of the current stabilisation options under the SRR and the bail-in stabilisation power to be applied to any of the Issuer's group companies that meet the definition of a "banking group company". The Banking Act 2009 (Banking Group Companies) Order, which specifies the conditions which must be met in order for an undertaking to constitute a "banking group company", entered into force on 1 August 2014. The definition of "banking group company" encompasses certain of the Issuer's subsidiaries and affiliates.

If the LLP was regarded to be a banking group company and no exclusion applied, then it would be possible for the relevant authority to exercise one or more relevant stabilisation tools (including the property transfer powers) in respect of it, which could result in reduced amounts being available to make payments under the Covered Bond Guarantee. 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.

The EU Recovery and Resolution Directive 2014/59/EU (the **RRD**) provides an EU-wide framework for the recovery and resolution of credit institutions and includes a "write-down and conversion power" and a "bail-in power", which would give such authorities the power to write down or write off the claims of certain unsecured creditors of a failing institution and/or to convert certain debt claims into another security, including ordinary shares of the surviving entity within a group, if any. On 23 July 2014, HM Treasury released a consultation on transposition of the RRD into English law,

primarily by way of amendment to the Banking Act 2009. The majority of changes set out in the RRD have been implemented in the UK with effect from 1 January 2015.

The bail-in option has been introduced in the Banking Act 2009, as amended, as an additional power available to the Bank of England, to enable it to recapitalise a failed institution by allocating losses to its shareholders and unsecured creditors in a manner that seeks to respect the hierarchy of claims in liquidation. The bail-in option includes the power to cancel or write down a liability, to modify the form of a liability (including, for example, the power to convert a liability from one form to another) or to provide that a contract under which the institution has a liability is to have effect as if a specified right had been exercised under it, each for the purposes of reducing, deferring or cancelling the liabilities of the bank under resolution. The conditions for use of the bail-in option are, in summary, that (a) the relevant authority determines that the bank is failing or likely to fail, (b) it is not reasonably likely that any other action can be taken to avoid the bank's failure and (c) the UK resolution authority determines that the exercise of such power is necessary having regard to the public interest.

Although the "bail-in" powers are not intended to apply to secured debt (such as the rights of Covered Bondholders in respect of the Covered Bond Guarantee) to the extent that such debt is secured, there remains significant uncertainty regarding the ultimate nature and scope of these powers and how they would affect the Issuer and the Covered Bondholders. Accordingly, it is not yet possible to assess the full impact of the RRD on the Issuer and on Covered Bondholders, and there can be no assurance that, once it is implemented, the manner in which it is implemented or the taking of any actions by the relevant UK resolution authority currently contemplated in the RRD would not adversely affect the rights of Covered Bondholders, the price or value of an investment in the Covered Bonds and/or the Issuer's ability to satisfy its obligations under the Covered Bonds. The exercise of any bail-in power or any suggestion of such exercise could, therefore, adversely affect the value of the Covered Bonds.

In addition, the Banking Act may be further amended and/or other legislation may be introduced in the UK to amend the resolution regime that would apply in the event of a bank failure or to provide regulators with other resolution powers.

Risk factors relating to the LLP

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

Following service of an Issuer Acceleration Notice on the Issuer, a Notice to Pay will be served by the Bond Trustee on the LLP. Subsequent to a failure by the Issuer to make a payment in respect of one or more Series of Covered Bonds, the Bond Trustee may, but is not obliged to, serve an Issuer Acceleration Notice unless and until requested or directed by the holders of at least 25% 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 (including, without limitation, the N Covered Bondholders) accordance with Condition 9(a) (Issuer Events of Default). Following service of a Notice to Pay on the LLP, under the terms of the Covered Bond Guarantee the LLP will be obliged to pay Guaranteed Amounts as and when the same are Due for Payment. In these circumstances, the LLP will not be obliged to pay any other amounts which become payable for any other reason.

Payments by the LLP will be made subject to any applicable withholding or deduction on account of any taxation and the LLP will not be obliged to pay any additional amounts as a consequence. The attention of potential Covered Bondholders is drawn to the paragraph headed "*Payments by the LLP*" in the United Kingdom taxation section below. Prior to service on the LLP of an LLP Acceleration Notice, the LLP will not be obliged to make any payments in respect of broken funding indemnities, penalties, premiums, default interest or interest on interest which may accrue on or in respect of the

Covered Bonds. In addition, the LLP will not be obliged at any time to make any payments in respect of additional amounts which may become payable by the Issuer under Condition 7 (Taxation).

Subject to any grace period, if the LLP fails to make a payment when Due for Payment under the Covered Bond Guarantee or any other LLP Event of Default occurs, then the Bond Trustee may accelerate the obligations of the LLP under the Covered Bond Guarantee by service of an LLP Acceleration Notice, whereupon the Bond Trustee will have a claim under the Covered Bond Guarantee for an amount equal to the Early Redemption Amount of each Covered Bond, together with accrued interest and all other amounts then due under the Covered Bonds (other than additional amounts payable under Condition 7 (Taxation)), although in such circumstances the LLP will not be obliged to gross up in respect of any withholding which may be required in respect of any payment. Following service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP, the Security Trustee may enforce the Security over the Charged Property. The proceeds of enforcement and realisation of the Security shall be applied by the Security Trustee in accordance with the Post-Enforcement Priority of Payments in the Deed of Charge, and the Covered Bondholders will receive amounts from the LLP on an accelerated basis.

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 Deposit 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 Deposit Account. 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.

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

Following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice on the Issuer, all amounts payable under the Covered Bonds will be accelerated by the Bond Trustee as against the Issuer following which a Notice to Pay will be served by the Bond Trustee on the LLP. The LLP's ability to meet its obligations under the Covered Bond Guarantee will depend on: (a) the realisable value of Selected Loans and their Related Security in the Portfolio; (b) the amount of Revenue Receipts and Principal Receipts generated by the Portfolio and the timing thereof; (c) amounts received from the Swap Providers; (d) the realisable value of Substitution Assets held by it; (e) the receipt by it of credit balances and interest on credit balances on the Deposit Account; and (f) the receipt by it of the interest element of Authorised Investments. 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.

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 Priority of Payments),

the Covered Bondholders will 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.

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 Aggregate Adjusted Asset Amount is equal to or in excess of the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding, which should reduce the risk of there ever being a shortfall (although there is no assurance of this – in particular, the sale of further 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 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 the section of this Prospectus entitled "*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 Aggregate Adjusted Asset Amount and the Asset Percentage) selected by it in accordance with the relevant provisions of the LLP Deed, being the percentage figure necessary to ensure that the Covered Bonds achieve an Aaa rating by Moody's using Moody's expected loss methodology. However there is no obligation on the LLP to ensure that an 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 order to maintain the level of credit enhancement necessary to maintain an 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 an Aaa rating by Moody's and the Covered Bonds may be downgraded, without resulting in a breach of the Asset Coverage Test. 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.

Reliance of the LLP on third parties

The LLP has entered into agreements with a number of third parties, which have agreed to perform services for the LLP. In particular, but without limitation, the 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 Deposit Account and Transaction Account will be held with the Account Bank and the Swap Collateral Account will be held by the Swap Collateral 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 adequately administer the Loans, this may lead to higher incidences of non-payment or default by Borrowers. The LLP is also reliant on the Swap Providers to provide it with the funds matching its obligations under the Intercompany Loan Agreement and the Covered Bond Guarantee, as described below.

If a Servicer Event of Default occurs pursuant to the terms of the Servicing Agreement, then the LLP and/or the Security Trustee will be entitled to terminate the appointment of the Servicer to whom such default relates and appoint a new servicer in its place. The LLP has appointed the Back-Up Servicer Facilitator to assist the LLP in appointing a back-up or replacement servicer. However, there can be no assurance that a substitute servicer with sufficient experience of administering mortgages of residential properties would be found who would be willing and able to service the Loans on the terms of the Servicing Agreement. 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 NatWest in its capacity as 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 use reasonable efforts to enter, within sixty (60) calendar days of such downgrade, into a back-up servicing agreement with a suitable third party to perform all the Services under the Servicing Agreement. The back-up servicing agreement will provide for such suitably experienced third party servicer to undertake the servicing obligations in relation to the Portfolio within sixty (60) calendar days of NatWest ceasing to be assigned a long-term, unsecured, unguaranteed and unsubordinated debt obligation rating of Moody's of at least Ba2 or by Fitch of at least BB or a servicer termination event under the Servicing Agreement.

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 Agreement.

Neither the Security Trustee, the Bond Trustee nor the Back-Up Servicer Facilitator 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 a base rate) and LIBOR for one-month Sterling deposits, the LLP 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 Swaps and amounts payable by the LLP on the outstanding Term Advances or (following service on the LLP of a Notice to Pay) under the Covered Bond Guarantee in respect of the Covered Bonds, the LLP will, where necessary, enter into a Covered Bond Swap Agreement, in respect of certain Series or Tranches of Covered Bonds, 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 relevant payment date being insufficient

to make the required payment in full), then it will have defaulted under that Swap Agreement and the Swaps governed by 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 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/or to any changes in the relevant rates of interest. Unless (a) replacement swap(s) is/are entered into, the LLP may have insufficient funds to make payments under the Intercompany Loan Agreement or Covered Bond Guarantee.

If a Swap 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 to ensure that the then current ratings of the Covered Bonds would not be downgraded 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 Swaps 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 (i) the Covered Bond Swaps; and (ii) the Interest Rate Swaps 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 Swaps 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.

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

With respect to the Covered Bond Swaps, the LLP will pay a monthly amount, on each LLP Payment Date, to each Covered Bond Swap Provider based on LIBOR for one (1) month Sterling deposits. A Covered Bond Swap Provider may not be obliged to make corresponding swap payments to the LLP under a Covered Bond Swap for up to twelve (12) months until amounts are due and payable by the LLP under the relevant Term Advance 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.

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 in order that they can continue to receive and hold monies.

These criteria include requirements imposed under the FSMA and requirements in relation to the short-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.

Limited description of the Portfolio

The Covered Bondholders will not receive detailed statistics or information in relation to the Loans in the Portfolio because it is expected that the constitution of 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 and selling Loans and their Related Security (or New Loan Types and their Related Security) to the LLP; or
- the Seller repurchasing Loans and their Related Security in accordance with the terms of 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 the section of this Prospectus entitled "*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*" above). In addition, the Asset Coverage Test is intended to ensure that the Aggregate Adjusted Asset 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 to the Security Trustee and investors that will set out certain information in relation to the Asset Coverage Test.

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", 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 United Kingdom tax authorities) it is expected that, with effect from 6 April 2020, certain amounts owed to the United Kingdom tax authorities 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.

Under Scots law the concept of fixed charges taking effect as floating charges does not arise and accordingly there is no equivalent risk.

Liquidation Expenses

On 6 April 2008, a provision in the Insolvency Act 1986 came into force which effectively reversed by statute the House of Lords' decision in the case of *Leyland Daf* in 2004. Accordingly, it is now the case that, in general 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).

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.

Maintenance of Portfolio

Asset Coverage Test: Pursuant to the terms of the Mortgage Sale Agreement, NatWest (in its capacity as the Seller) agreed to use all reasonable efforts to transfer or procure the transfer of 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: (a) a cash payment paid by the LLP; and/or (b) the Seller (in its capacity as a Member of the LLP) 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 (c) Deferred Consideration.

Alternatively, NatWest (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 the section of this Prospectus entitled "*Summary of Principal Documents – LLP Deed – Asset Coverage Test*". There is no specific recourse by the LLP to NatWest in respect of the failure to sell or procure the sale of Loans and their Related Security to the LLP nor is there any specific recourse to NatWest if it does not make Cash Capital Contributions to the LLP. In addition, Covered Bondholders should be aware that the UK regulatory authorities may take certain action in relation to NatWest, including prohibiting NatWest from transferring further Loans to the LLP. Any such action by the UK regulatory authorities 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 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 to ensure that the assets of the LLP are sufficient to meet its obligations under the Covered Bond Guarantee and senior expenses that rank in priority to or *pari passu* with amounts due on the Covered Bonds.

If the collateral value of the 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 Covered Bonds against the Issuer and the LLP's obligations under the Covered Bond Guarantee against the LLP subject to and in accordance with the Conditions.

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

Sale of Selected Loans and their Related Security following service of an Asset Coverage Test Breach Notice or a Notice to Pay

If an Asset Coverage Test Breach Notice or a Notice to Pay is served on the LLP (and, in the case of an Asset Coverage Test Breach Notice, for as long as such notice remains outstanding), the LLP will be obliged to sell Selected Loans and their Related Security (selected on a random basis) in order to remedy a breach of the Asset Coverage Test or to make payments to the LLP's creditors, including payments under the Covered Bond Guarantee, as appropriate (see the section of this Prospectus entitled "*Summary of the Principal Documents – LLP Deed – Sale of Selected Loans and their Related Security following service of an Asset Coverage Test Breach Notice*" and "*Summary of the Principal Documents – LLP Deed – Sale of Selected Loans and their Related Security following service of a Notice to Pay*").

There is no guarantee that a buyer will be found to acquire Selected Loans and their Related Security at the times required and there can be no guarantee or assurance as to the price which the LLP may be able to obtain, which may affect the ability of the LLP to make payments under the Covered Bond Guarantee. However, if a Notice to Pay has been served, 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 (6) months prior to the Final Maturity Date in respect of such Covered Bonds or (if the same is specified as applicable in the relevant Final Terms) the Extended Due for Payment Date in respect of such Covered Bonds. In the six (6) months prior to, as applicable, the Final Maturity Date or Extended Due for Payment Date, as applicable, the LLP is obliged to sell the Selected Loans and their Related Security for the best price reasonably available notwithstanding that such price may be less than the Adjusted Required Redemption Amount. Where the LLP sells Selected Loans and their Related Security for less than the relevant Adjusted Required Redemption Amount, the LLP may have insufficient funds available to pay all amounts due on the Covered Bonds on the Final Maturity Date or, where applicable, the Extended Due for Payment Date.

Sale of Selected Loans and their Related Security prior to maturity of Hard Bullet Covered Bonds where Pre-Maturity Test is failed or following the occurrence of an Issuer Event of Default

If the Pre-Maturity Test is failed, the LLP is obliged (unless NatWest (in its capacity as a Member of the LLP) chooses to make sufficient Cash Capital Contributions) to sell Selected Loans and their Related Security (selected on a random basis) to seek to generate sufficient cash to enable the LLP to pay the Final Redemption Amount, on any Hard Bullet Covered Bond, should the Issuer fail to pay such amounts (see the section of this Prospectus entitled "*Summary of the Principal Documents – LLP Deed – Sale of Selected Loans and their Related Security if the Pre-Maturity Test is failed*").

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.

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 the FCA, the PRA, the Competition and Markets Authority (**CMA**) and other regulatory authorities; and
- regulations in the United Kingdom that could lead to some terms of the Loans being unenforceable.

Each of these factors set out above 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 a failure of the Pre-Maturity Test, the service of an Asset Coverage Test Breach Notice (which remains outstanding) or the service of a Notice to Pay on the LLP (but in each case prior to the service of a 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 the section of this Prospectus entitled "*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. There is no assurance that the Seller would give any warranties or representations in respect of the Selected Loans and their Related Security originated or acquired by either of them and sold to the LLP. Any representations or warranties previously given by the Seller in respect of the Loans in the Portfolio sold by it to the LLP 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.

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 or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Other factors in Borrowers' individual, personal or financial circumstances may affect the ability of Borrowers to repay the Loans. Loss of earnings, illness, divorce 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.

The downturn in the United Kingdom's economy had a negative effect on the housing market. The fall in property prices resulting from the deterioration in the housing market and increased unemployment could lead to increased numbers of borrowers defaulting on their mortgage loans and result in losses being incurred by lenders where the net recovery proceeds are insufficient to redeem the outstanding loan. If deterioration occurs in the quality of the Portfolio, this could have an adverse effect on the LLP's ability to make payment under the Covered Bond Guarantee. There can be no assurance that the housing market will not continue to deteriorate and that the United Kingdom's

economic environment may affect the rate at which the new mortgage loans are originated and may also affect the level of attrition of existing borrowers.

The current United Kingdom economic environment may affect the rate at which the Seller originates new mortgage loans and may also affect the level of attrition of the Seller's existing borrowers, which could in turn adversely affect the ability of the LLP to make payments under the Covered Bond Guarantee.

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 a result, 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 affected Properties. These circumstances could affect receipts on the Loans and ultimately result in losses on the Covered Bonds.

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 NatWest 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 Transaction (more fully described under the section of this Prospectus entitled "*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 NatWest. 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 and the Amortisation 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 respective 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 (or, in the case of Loans originated by NWHL, NWHL'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.

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 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 Seller holds the benefit of the Scottish Loans on trust for the benefit of the LLP such that the beneficial interest in such Scottish Loans and their Related Security has been or will be transferred to the LLP. As a result, legal title to English Loans and Scottish Loans and each of their Related Security will remain with the Seller. In respect of Loans sold to the LLP by NWHL prior to 1 November 2012, legal title has been transferred to NatWest. The LLP, however, will have the right to demand that the Seller give it legal title to the Loans originated or acquired by it and the Related Security in the limited circumstances described in the section of this Prospectus entitled "*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.

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 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; or

- 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 scenarios 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 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 (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 the risk factor entitled "*Set-off risk may adversely affect the value of the Portfolio or any part thereof*" 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.

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

As described above, the sale by the Seller to the LLP of English 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 and the 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.

For instance, set-off rights may arise if the Seller fails to advance to a Borrower a Flexible Loan Drawing when the Borrower is entitled to draw additional amounts under a Flexible Loan, or fails to advance an Additional Loan Advance after having agreed to do so.

If the Seller fails to advance the required sum in accordance with the relevant Loan, then the relevant Borrower may set off any claim for damages (or analogous rights in Scotland) arising from the Seller's breach of contract against the Seller's (and, as equitable assignee of or holder of the beneficial interest in the Loans and the Mortgages in the Portfolio, the LLP's) claim for payment of principal and/or interest under the relevant Loan as and when it becomes due. These set-off claims will constitute transaction set-off, as described in the immediately preceding risk factor.

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

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

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 twenty-eight (28) London Business Days of receipt by it of the request.

If the Seller fails to remedy the breach of a representation and warranty within 28 London 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 related Additional Loan Advances or Flexible Loan Drawings at their True Balance plus fees, Accrued Interest and Arrears of Interest as of 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.

Certain Regulatory Considerations

Regulated Mortgage Contracts

In the United Kingdom, regulation of residential mortgage business under the Financial Services and Markets Act 2000 (**FSMA**) came into force on 31 October 2004 (the **Regulation Effective Date**). Residential mortgage lending under the FSMA is regulated by the FCA (prior to 1 April 2013, it was regulated by its predecessor, the FSA). Subject to certain exemptions, entering into a Regulated Mortgage Contract as a lender, arranging Regulated Mortgage Contracts and advising in respect of or administering Regulated Mortgage Contracts (or agreeing to do any of those activities) are each regulated activities under the FSMA and the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) (as amended) (the **RAO**) requiring authorisation and permission from the FCA.

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: (a) the lender provides credit to an individual or to trustees; and (b) the obligation of the Borrower to repay is secured by a first legal mortgage (or, in Scotland, a first ranking standard security) on land (other than timeshare accommodation) in the UK, at least 40% of which is used, or is intended to be used, as or in connection with a dwelling by the Borrower, the beneficiary under the trust where the Borrower or (in the case of credit provided to trustees) by an individual who was a beneficiary of the trust. A related person is broadly the person's spouse, civil partner, parent, brother, sister, child, grandparent or grandchild, or a person with whom the Borrower (or in the case of credit provided to trustees, a beneficiary of the trust) has a relationship which is characteristic of a spouse.

There have been incremental changes to the definition of Regulated Mortgage Contract over time, including the removal of the requirement for the security to be first ranking and the extension of the territorial scope to cover property in the EEA rather than just the UK. The current definition of 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, such as the relevant exclusions for buy to let loans): (a) the borrower is an individual or trustee; and (b) the obligation of the borrower to repay is secured by a mortgage on land in the EEA, at least 40% of which is used, or is intended to be used, (i) in the case of credit provided to an individual, as or in connection with a dwelling; or (ii) in the case of credit provided to a trustee which is not an individual, as or in connection with a dwelling by an individual who is a beneficiary of the trust, or by a related person.

Credit agreements which were originated before 21 March 2016, which were regulated by the Consumer Credit Act 1974 (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 (see "*Regulation of residential secured lending (other than 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 collecting payments due under the mortgage loan); (c) advising in respect of Regulated Mortgage Contracts; and (d) arranging Regulated Mortgage Contracts. Agreeing to carry on any of these activities is also a regulated activity. If requirements as to the authorisation of lenders and brokers are not complied with, a Regulated Mortgage Contract will be unenforceable against the borrower except with the approval of a court and the unauthorised person may commit a criminal offence. An unauthorised person who carries on the regulated mortgage activity of administering a Regulated Mortgage Contract that has been validly entered into may commit an offence, although this will not render the contract unenforceable against the borrower. The regime under the FSMA regulating financial promotions covers the content and manner of the promotion of agreements relating to qualifying credit and by whom such promotions can be issued or approved. 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. 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 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 article 62 of 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 (1) 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 upon the occurrence of a Perfection Event 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 entering into of 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. Further rules for prudential and authorisation requirements for mortgage firms, and for extending the appointed representatives' regime to mortgages, came into force on 31 October 2004.

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 the lender (or exercise analogous rights in Scotland). Any such claim or set-off may adversely affect the LLP's ability to make payments on the Covered Bond Guarantee.

Regulation of residential secured lending (other than Regulated Mortgage Contracts)

The UK government had a policy commitment to move second charge lending into the regulatory regime for mortgage lending rather than the regime for consumer credit under which second charge lending previously fell. The UK government concluded that there was a strong case for regulating lending secured on a borrower's home consistently, regardless of whether it is secured by a first or subsequent charge. The European Mortgage Credit Directive (2014/17/EU) (**Mortgage Credit Directive**) also follows this principle and makes no distinction between requirements for first charge and second (and subsequent) charge mortgage lending. The UK government concluded that it made sense to implement the changes to second (and subsequent) charge lending alongside the implementation of the Mortgage Credit Directive. The UK government also proposed to move the regulation of second (and subsequent) charge loans already in existence before 21 March 2016 to the regulated mortgage contract regime rather than keeping them within the consumer credit regime. The policy of regulating lending secured on a borrower's home consistently also meant that the UK government decided to change the regulatory regime for pre-2004 first charge loans regulated by the CCA. Mortgage regulation under FSMA began on 31 October 2004. Mortgages entered into before that date were regulated by the CCA, provided they did not exceed the financial threshold in place when they were entered into and were not otherwise exempt. In November 2015, the UK government made legislation which meant that the administration of and other activities relating to those pre-October 2004 first charge mortgages which were regulated by the CCA became regulated mortgage activities from 21 March 2017, although firms could have adopted the new rules from 21 March 2016 if they chose. The move of CCA-regulated mortgages to the FSMA regime was implemented by the Mortgage Credit Directive Order 2015 on 21 March 2016 (**Mortgage Credit Directive Order**). The government has put in place transitional provisions for existing loans so that some of the CCA protections in place when the loans were originally taken out are not removed retrospectively.

Credit agreements which 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 defined by the Mortgage Credit Directive Order as "consumer credit back book

mortgage contracts" and would also therefore be Regulated Mortgage Contracts. The main CCA consumer protection retained in respect of consumer credit back book mortgage contracts is the continuing unenforceability of the agreement if it was rendered unenforceable by the CCA prior to 21 March 2016. Unless the agreement was irredeemably unenforceable, the lender may enforce the agreement by seeking a court order or bringing any relevant period of non-compliance with the CCA to an end in the same manner as would have applied if the agreement was still regulated by the CCA. If a consumer credit back book mortgage contract was void as a result of section 56(3) of the CCA, that agreement or the relevant part of it will remain void. Restrictions on early settlement fees will also be retained. If interest was not chargeable under a consumer credit back book mortgage contract due to non-compliance with s77A CCA (duty to serve an annual statement) or s86B CCA (duty to serve a Notice of Sums in Arrears), once the consumer credit back book mortgage contract became regulated by FSMA under the Mortgage Credit Directive Order as of 21 March 2016, the sanction of interest not being chargeable under s77A CCA and s86D CCA ceases to apply, but only for interest payable under those loans after 21 March 2016. A consumer credit back book mortgage contract will also be subject to the unfair relationship provisions described below. Certain provisions of MCOB are applicable to these consumer credit back book mortgage contracts. These include the rules relating to disclosure at the start of a contract and post-sale disclosure (MCOB 7), charges (MCOB 12) and arrears, payment shortfalls and repossessions (MCOB 13). General conduct of business standards will also apply (MCOB 2). This process is subject to detailed transitional provisions that are intended to retain certain customer protections in the FCA's Consumer Credit Sourcebook (CONC) and the CCA that are not contained within MCOB.

The Seller will give warranties to the LLP in the Mortgage Sale Agreement that, among other things, 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 Mortgage Sale Agreement.

Buy-to-let mortgages are excluded from the definition of 'consumer credit back book mortgage contract'. This means that if a buy-to-let mortgage was regulated by the CCA (because the amount of credit fell below the relevant financial limit in place at the time of origination and was not otherwise exempt), it will continue to be regulated by the CCA as it is not a 'consumer credit back book mortgage contract'.

This regulatory regime may result in adverse effects on the enforceability of certain Loans and consequently the LLP's ability to make payment in full on the Covered Bond Guarantee when due.

Changes to mortgage regulation and to the regulatory structure in the United Kingdom may adversely affect payments on the Covered Bond Guarantee

In December 2011, the FSA published a consultation paper that consolidates proposals arising out of its wide-ranging mortgage market review, which was launched in October 2009 to consider strengthening rules and guidance on, among other things, affordability assessments, product regulation, arrears charges and responsible lending. The FSA's aim was to ensure the continued provision of mortgage credit for the majority of borrowers who can afford the financial commitment of a mortgage, whilst preventing a re-emergence of poor lending practices as the supply of mortgage credit in the market recovers. In October 2012, the FSA published a feedback statement and final rules that generally came into force on 26 April 2014 with transitional arrangements where, among other things, the borrower does not take on additional borrowing. These rules have, for example, imposed more stringent requirements on lenders to assess the affordability of a loan made to a borrower and to verify the income of a borrower.

In relation to interest-only loans that are not buy-to-let loans, the mortgage market review introduced rules that require relevant institutions, with effect from 26 April 2014, to obtain evidence (with permitted exceptions) that a borrower will have in place a clearly understood and credible payment strategy and that the payment strategy has the potential to repay the principal at the end of the term of an interest-only loan.

The FCA started to track firms' progress towards implementation of the mortgage market review from the second quarter of 2013 and: (a) published a report following a thematic review concerning the quality and suitability of mortgage advice provided by firms; and (b) it began a further thematic review on responsible lending in April 2015, on which it reported in May 2016. In December 2016, the FCA launched a market study focusing on consumers' ability to make effective choices in the first charge residential mortgage market, on which it produced an interim report in May 2018 and a final report in March 2019 (see "Mortgage Prisoners" below).. This is in addition to regulatory reforms being 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 these reviews and other related regulatory reforms. To the extent that the new rules do apply to any of the Mortgage 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. Any such claim or set-off may reduce the amounts available to the LLP to make payments under the Covered Bond Guarantee.

Under the Financial Services Act 2012: (a) the carrying on of servicing activities in certain circumstances by a person exercising the rights of the lender without FCA permission to do so renders the credit agreement unenforceable, except with FCA approval; and (b) the FCA has the power to make rules to render unenforceable contracts made in contravention of its rules on cost and duration of credit agreements or in contravention of its product intervention rules. It also provides for formalised co-operation to exist between the FCA and the Financial Ombudsman Service (as described below), particularly where issues identified potentially have wider implications, with a view to the FCA requiring affected firms to operate consumer redress schemes.

Any further changes to MCOB arising from the FCA's mortgage market review, or to MCOB or the FSMA arising from changes in the regulatory structure, may adversely affect the Loans, the LLP, the Servicer and their respective businesses and operations.

Regulation of buy-to-let mortgages

The Mortgage Credit Directive requires EU member states to develop a 'national framework' for buy-to-let lending if they choose to exercise discretion afforded by the Mortgage Credit Directive to not apply the Mortgage Credit Directive to their buy-to-let mortgage markets. The UK government announced that it would use the option to have a national framework for buy-to-let lending to consumers called 'Consumer buy-to-let' (**CBTL**) in order to put in place the minimum requirements to meet the UK's legal obligations, as it has stated it is not persuaded of the case for full conduct regulation of buy-to-let mortgage lending. The CBTL framework was implemented on 21 March 2016 and is only applicable to consumer borrowers.

The legislative framework is set out in the Mortgage Credit Directive Order 2015. The Mortgage Credit Directive Order 2015 defines a CBTL mortgage contract as: "a buy-to-let mortgage contract which is not entered into by the borrower wholly or predominantly for the purposes of business carried on, or intended to be carried on, by the borrower". It provides that a firm that advises on, arranges, lends or administers CBTL mortgages must be registered to do so. In a HM Treasury consultation published in January 2015, the treasury gave a central estimate that CBTL regulation would affect 11% of the buy-to-let mortgage market. The Mortgage Credit Directive Order 2015 sets out a number of conduct standards for firms carrying on CBTL business which cover, inter alia, requirements for pre-contractual illustrations, adequate explanations and arrears and repossessions. The FCA has amended the FCA Handbook to provide it with supervisory and enforcement powers in

respect of such conduct standards. The exercise of supervisory and enforcement powers by the FCA may adversely affect the amounts available to the LLP to make payments under the Covered Bond Guarantee, particularly if the FCA orders remedial action in respect of past conduct.

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, could 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 loans was not removed for buy-to-let loans until 31 October 2008. As described above (see "Regulation of residential secured lending (other than Regulated Mortgage Contracts)"), buy-to-let loans were regulated by the CCA if (a) they were entered into prior to 31 October 2008 and (b) the amount of the advance did not exceed £25,000. Such buy-to-let mortgages are not caught by the definition of a 'consumer credit back book mortgage contract' and so any buy-to-let loans regulated by the CCA will continue to be regulated by the CCA notwithstanding the implementation of the Mortgage Credit Directive Order. Non-compliance with certain provisions of the CCA may render a regulated credit agreement totally unenforceable (if entered into on or prior to 6 April 2007) 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, which may adversely affect the ability of the LLP to make payments in full on the Covered Bond Guarantee when due.

If a buy-to-let mortgage is secured on a property occupied by a related person to the borrower (broadly the borrower's spouse, near relative or a person with whom the borrower has a relationship which is characteristic of a spouse) then it will be a Regulated Mortgage Contract. Otherwise, as described above, buy-to-let mortgages will be regulated by either the CBTL regime or the CCA or will be unregulated.

The Servicer has permission for the regulated activities of debt administration and debt collection which are necessary in respect of servicing unregulated loans, CBTL loans or CCA-regulated loans. The LLP is excluded as owner from the regulated activities of debt administration and debt collection in respect of any unregulated CBTL loans or CCA-regulated loans. The Servicer is authorised to exercise or have the right to exercise a lender's rights and duties under a regulated credit agreement which is a necessary permission in respect of a CCA-regulated agreement. The LLP is exempt from the regulated activity of exercising or having the right to exercise a lender's rights and duties under a regulated credit agreement because it has arranged administration by an authorised person pursuant to article 60I RAO.

Unfair relationships

Under the Consumer Credit Act, the '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 Issuer, 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 when 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 2006 for guidance. The principle of 'treating customers fairly'

under the FSMA, and guidance published by the FSA and, as of 1 April 2013, the FCA on that principle and former guidance by the OFT on the unfair relationship test, may also be relevant. Under the CCA, once the debtor alleges that an 'unfair relationship' exists, then the burden of proof is on the creditor to prove the contrary.

Plevin v Paragon Personal Finance Limited [2014] UKSC 61 (**Plevin**), a Supreme Court judgment, has clarified that compliance with the relevant regulatory rules by the creditor (or a person acting on behalf of the creditor) does not preclude a finding of unfairness, as a wider range of considerations may be relevant to the fairness of the relationship than those which would be relevant to the application of the rules.

In March 2017, the FCA published final rules and guidance with respect to payment protection insurance complaints (PS17/3) in light of *Plevin*. The rules will not apply to Borrowers with Regulated Mortgage Contracts. The FCA rules came into force on 29 August 2017 and require firms that sold Payment Protection Insurance (**PPI**) to write to previously rejected mis-selling complainants who are eligible to complain again in light of *Plevin* in order to explain this to them by 29 November 2017. The FCA rules state that if the anticipated profit share and commission or the likely range of profit share and commission on a PPI Contract were not disclosed to the Borrower before the PPI Contract was entered into, the firm should consider whether it can satisfy itself on reasonable grounds that an unfair relationship did not arise. A firm should make a rebuttable presumption that failure to disclose commission gave rise to an unfair relationship if the anticipated profit share plus the commission known or reasonably foreseeable at the time of sale was in relation to a single premium payment protection contract, more than 50% of the total amount paid in relation to the PPI Contract or in the case of a regular premium PPI Contract, at any time in the relevant period or periods more than 50% of the total amount paid in relation to the PPI Contract in respect of the relevant period or periods. The FCA cites, among others, an example of such presumption being rebutted by the lender not having known and not being reasonably expected to have known or foreseen the level of commission and anticipated profit share. Where the firm concludes that the non-disclosure of commission on a PPI Contract has given rise to an unfair relationship, the FCA states that the firm should remedy the unfairness by paying the complainant a sum equal to the total commission paid by the complainant for PPI plus an amount representing any profit share payment, minus 50% of the total amount paid by the complainant for the PPI (Compensation Sum). The firm should also repay historic interest in relation to the Compensation Sum (which is the interest the complainant paid as a result of the Compensation Sum being included in the loan) where relevant and also pay simple interest on the whole amount. The March 2017 Policy Statement set a new deadline of 29 August 2019 for consumers to complain about the way they were sold PPI.

If a court determined that there was an unfair relationship between the Lender and the Borrowers in respect of the Loans and ordered that financial redress was made in respect of such Loans or if redress was due in accordance with the FCA guidance on PPI 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.

Financial institutions, including mortgage lenders, continue to see a volume of claims for redress made by claimants who claim they were mis-sold PPI. The Financial Ombudsman Service (the FOS) has provided guidance to the credit industry as to the correct approach to redress, which is published on its website (https://www.financial-ombudsman.org.uk/businesses/complaints-deal/ppi/ombudsmans-approach). This is that the consumer should be put back into the position they would have been in but for the failure on the part of the lender or broker. Redress should be assessed on the basis that the claimant would not have purchased the policy, if the lender or broker had given a fair recommendation and/or had given appropriate information during the sale and that the claimant should be compensated if he has been out-of-pocket in the meantime.

The relevant regulators expect the credit industry to follow the FOS-mandated approach. Depending on the precise circumstances of each case, redress will normally involve calculating what the current balance of the loan would have been if the consumer had made the same monthly payments but without PPI. This is calculated by deducting the PPI premiums and the interest and charges that resulted from those premiums (including those arising because the ongoing balance on the loan was higher than it would have been, if the consumer had made the same payments to an account without PPI). If the reconstruction produces a credit balance for any period, the payment of interest (normally at the rate of 8 per cent. simple per year) should be added to the credit balances for the period that the account was in credit. This highly complex calculation methodology can result in high redress, particularly where the loan has been significantly utilised over a long period as PPI is typically charged by reference to the loan balance. Where appropriate (for example, where the lender or broker rejected a complaint that it knew (or should have known) that the FOS would uphold), damages for distress/inconvenience may also need to be considered.

PPI redress is generally paid by cheque to each individual claimant as a matter of course, except where the loan is delinquent, in which case, the Borrower will be advised that redress is to be set off against the balance unless the Borrower opts to have it paid by cheque. Generally, it is within claimants' rights to request that their PPI redress is set off against their balance, giving rise to a risk that the Issuer does not receive the full amount otherwise owed by the Borrower under the relevant Loan.

The Issuer made a charge for customer redress of £124 million in the year ended 2018, as compared to a charge for customer redress of £107 million in the year ended 2017.

The FCA have made a new rule which sets a deadline by which consumers will need to make their PPI complaints or lose their right to have them assessed by firms or by the FOS (although consumers will still be able to bring claims in court after the deadline). This rule came into force on 29 August 2017 with the deadline for complaints falling on 29 August 2019.

Set-off by Borrowers in respect of PPI claim amounts against the amount due by the Borrower under the relevant Loans 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 ability of the LLP to make payments under the Covered Bond Guarantee.

Mortgage Prisoners

In March 2019, the FCA issued the Mortgages Market Study Final Report (the **MMS Final Report**) and published a consultation paper (the **Consultation**) setting out detailed proposals to remove regulatory barriers to changing mortgages for "mortgage prisoners". The Consultation closed in June 2019 and the policy statement is due in the final quarter of 2019. The term "mortgage prisoners" has been defined by the FCA to mean mortgage customers who would benefit from changing their mortgage product (either with their existing lender or with a new lender) (**Switching**) but are unable to do so despite being up to date with their current mortgage payments. The FCA has confirmed that the findings from the MMS Final Report are aimed at the first charge residential mortgage market in particular and that it did not focus on second charge, buy-to-let, commercial mortgages or home reversion plans. The FCA have however stated that insights gained from the MMS Final Report are likely to be relevant to other markets within the FCA's regulatory scope.

The FCA previously recognised that the affordability rules applicable to new lenders (being whether the consumer can afford to service the mortgage, accounting for income and expenditure and includes consideration of future changes, taking account of likely future interest rates and the extent to which the customer is borrowing in to retirement) was an obstacle to new lenders being able to facilitate Switching. The Consultation sets out proposals as to how to modify these rules so that a borrower Switching who is up to date with their mortgage payments and is not taking on additional borrowing

(other than to fund any product or arrangement fee) can pass the affordability test if the new product is cheaper than the existing product. The FCA is also consulting pursuant to the Consultation on imposing on mortgage administrators and servicers who act for unregulated lenders an obligation to notify all relevant borrowers of that unregulated lender serviced by that administrator or servicer of the fact that the borrower may be able to switch to a cheaper product following the change in rules. These notices would only apply to residential borrowers (excluding lifetime mortgages) who were on a reversion rate and who were up to date with payments for the previous 12 months. The proposed modification of the rules should make it easier for a borrower who is a mortgage prisoner to switch to a new lender and this could increase redemption rates where there are a significant number of mortgage prisoners held by a lender.

Unfair Terms in Consumer Contracts Regulations 1994 and 1999 and the Consumer Rights Act 2015

In the United Kingdom, the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the **1999 Regulations**), together with (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994 (together with the 1999 Regulations, the **UTCCR**), apply to business-to-consumer agreements made on or after 1 July 1995 but prior to 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 "Consumer Rights Act 2015" below).

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" within 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 a regulator may take action to stop the use of terms which are considered to be unfair.

The UTCCR will not generally affect terms which define the main subject matter of the contract, such as the borrower's obligation to repay the principal, provided that these terms are written in plain and intelligible language and are drawn adequately to the consumer's attention. The UTCCR may affect terms that are not considered to be terms which define the main subject matter of the contract, such as the lender's power to vary the interest rate and certain terms imposing early repayment charges and mortgage exit administration fees. For example, if a term permitting the lender to vary the interest rate (as the originator is permitted to do) is found to be unfair, the borrower will not be liable to pay interest at the increased rate or, to the extent that the borrower has paid it, will be able, as against the lender, or any assignee such as the Issuer, 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). Any such non-recovery, claim or set-off may adversely affect the LLP's ability to make payments on the Covered Bond Guarantee.

On 12 January 2016, the FCA and the Competition and Markets Authority (the **CMA**) entered into a memorandum of understanding in relation to consumer protection (the **MoU**) which stated that the CMA may consider fairness, but will not usually expect to do so, where the firm concerned is an authorised firm or an authorised representative under the FSMA. Further, the MoU stated that the FCA will consider fairness within the meaning of the CRA and the UTCCR, of standard terms, and the CRA of negotiated terms, in financial services contracts issued by authorised firms or appointed representatives, when such firms or representatives are undertaking any regulated activity (as specified in Part II of the RAO), in the United Kingdom. In this MoU "authorised" includes having an interim permission and a "relevant permission" includes an interim permission. This will include contracts for:

- mortgages and the selling of mortgages;
- insurance and the selling of insurance;
- bank, building society and credit union accounts;
- life assurance;
- pensions;
- investments;
- consumer credit;
- consumer hire; and
- other credit-related regulated activities.

MCOB rules for Regulated Mortgage Contracts require that (a) arrears charges can be objectively justified as equal to or lower than a reasonable estimate of the cost of the additional administration required as a result of the borrower being in arrears, and (b) from 15 December 2016, when a payment is made which is not sufficient to cover a payment shortfall and the firm is deciding how to allocate the payment between (i) the current month's periodic instalment of capital or interest (or both); (ii) the payment shortfall; and (iii) interest or charges resulting from the payment shortfall, the firm must set the order of priority in a way that will minimise the amount of the payment shortfall once the payment has been allocated. In October 2010, the FSA issued a statement that, in its view, early repayment charges are likely to amount to the price paid by the borrower in exchange for services provided and may not be reviewable for fairness under the UTCCR, provided that they are written in plain and intelligible language and are adequately drawn to the borrower's attention. In January 2012, the FSA issued a further statement intended to raise awareness of issues that it commonly identifies under the UTCCR (such statement has since been withdrawn – see below). As of 1 April 2013, the FCA has power to enforce the UTCCR in relation to Regulated Mortgage Contracts originated by lenders authorised under the FSMA.

In July 2012, the Law Commission launched a consultation in order to review and update the recommendations set out in their 2005 Report on Unfair Terms in Contracts. In March 2013, the Law Commission published its advice, in a paper entitled "Unfair Terms in Consumer Contracts: Advice to the Department for Business, Innovation and Skills". This advice paper repeats the recommendation from the 2005 Report on Unfair Terms in Contracts that the Unfair Contract Terms Act 1977 and the UTCCR should be consolidated, as well as providing new recommendations, including extending the protections of unfair terms legislation to notices and some additions to the 'grey list' of terms (as included in Schedule 2 of the CRA) which are indicatively unfair. The Law Commission also recommended that the UTCCR should expressly provide that, in proceedings brought by individual consumers, the court is required to consider the fairness of the term, even if the consumer has not raised the issue, where the court has available to it the legal and factual elements necessary for that task. Such reforms are included in the Consumer Rights Act 2015, which came into force in October 2015.

Historically the OFT, FSA and FCA (as appropriate) have issued guidance on the UTCCR. This has included: (a) OFT guidance on fair terms for interest variation in mortgage contracts dated February 2000; (b) an FSA statement of good practice on fairness of terms in consumer contracts dated May 2005; (c) an FSA statement of good practice on mortgage exit administration fees dated January 2007; and (d) 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 above-mentioned guidance) relating to unfair contract terms. The FCA stated that such material "no longer reflects the FCA's views on unfair contract terms" and that firms should no longer rely on the content of the documents that had been removed.

The broad and general wording of the UTCCR and the CRA makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any Loans which have been made to Borrowers covered by the UTCCR and 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, this may reduce the amounts available to meet the payments due in respect of the Covered Bond Guarantee.

The FCA have stated that the finalised FCA guidance "Fairness of variation terms in financial services consumer contracts under the Consumer Rights Act 2015" (see "Consumer Rights Act 2015" below) applies equally to factors that firms should consider to achieve fairness under the UTCCR.

The guidance issued by the FSA (and, as of 1 April 2013, the FCA), the OFT and the CMA has changed over time and it is possible that it may change in the future. No assurance can be given that any such changes in guidance on the UTCCR and the CRA, or reform of the UTCCR and the CRA, will not have a material adverse effect on the Loans, the LLP, the Seller, the Servicer and the Issuer and their respective businesses and operations. There can be no assurance that any such changes (including changes in regulators' responsibilities) will not affect the Loans.

Consumer Rights Act 2015

The main provisions of the CRA came into force on 1 October 2015. The CRA significantly reforms and consolidates consumer law in the UK. The CRA involves the creation of a single regime out of the Unfair Contract Terms Act 1977 (which essentially deals with attempts to limit liability for breach of contract) and the UTCCR 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: (a) take into account the nature of the subject matter of the contract; (b) refer to all the circumstances existing when the term was agreed; and (c) 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 lists "a term which has the object or effect of enabling the trader to alter the terms of the contract unilaterally without a valid reason which is specified in the contract" although paragraph 22 provides that this does not include a term by which a supplier of financial services reserves the right to alter the rate of interest payable by or due to the consumer, or the amount of other charges for financial services without notice where there is a valid reason if the supplier is required to inform the consumer of the alteration at the earliest opportunity and the consumer is free to dissolve the contract immediately.

A term of a consumer contract which is not on the "grey list" may nevertheless be regarded as unfair.

Where a term of a consumer contract is "unfair" it will not bind the consumer. However, the remainder of the contract, will, so far as practicable, continue to have effect in every other respect. Where a term in a consumer contract is susceptible of multiple different meanings, the meaning most favourable to the consumer will prevail. It is the duty of the court to consider the fairness of any given term. This can be done even where neither of the parties to proceedings have explicitly raised the issue of fairness.

On 19 December 2018, the FCA published finalised guidance: "Fairness of variation terms in financial services consumer contracts under the Consumer Rights Act 2015" (FG18/7), outlining factors the FCA consider 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 finalised guidance relates to all financial services consumer contracts entered into since 1 July 1995. The FCA stated that firms should consider both this guidance and any other rules that apply when they draft and use variation terms in their consumer contracts. The FCA stated that the finalised guidance will apply to FCA authorised persons and their appointed representative in relation to any consumer contracts which contain variation terms.

The provisions in the CRA governing unfair contractual terms came into force on 1 October 2015. The Unfair Contract Terms Regulatory 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". 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 European Union particularly, is for the most part as relevant to the Act as it was the UTCCRs". In general, there is little reported case law on the UTCCR and/or the CRA and the interpretation of each is open to some doubt. 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 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 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.

The guidance issued by the FSA (and as of 1 April 2013, the FCA), the OFT and the CMA has changed over time and it is possible that it may change in the future. No assurance can be given that any such changes in guidance on the UTCCR and the CRA, or reform of the UTCCR and the CRA, will not have a material adverse effect on the Loans, the Seller, the LLP, the Servicer or their respective businesses and operations.

Consumer Protection from Unfair Trading Regulations 2008

On 11 May 2005, the European Parliament and the Council adopted a Directive (2005/29/EC) regarding unfair business-to-consumer commercial practices (the **Unfair Practices Directive**). Generally, this directive applies full harmonisation, which means that Member States may not impose more stringent provisions in the fields to which full harmonisation applies. By way of exception, the Unfair Practices Directive permits Member States to impose more stringent provisions in the fields of financial services and immovable property, such as mortgage loans.

The Unfair Practices Directive provides that enforcement bodies may take administrative action or legal proceedings against a commercial practice on the basis that it is "unfair" within the Directive. The Unfair Practices Directive is intended to protect only collective interests of consumers, and so is not intended to give any claim, defence or right of set-off to an individual consumer.

The Unfair Practices Directive is implemented in the United Kingdom by the Consumer Protection from Unfair Trading Regulations 2008 (the **CPUTR**), which came into force on 26 May 2008. The CPUTR prohibit certain practices which are deemed "unfair" within the terms of the CPUTR. Breach of the CPUTR does not (of itself) render an agreement void or unenforceable, but is a criminal offence punishable by a fine and/or imprisonment. 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 CPUTR do not provide consumers with a private act of redress. Instead, consumers must rely on existing private law remedies based on the law of misrepresentation and duress. The Consumer Protection (Amendment) Regulations 2014 (SI No.870/2014) were laid before Parliament on 1 April 2014 and came into force on 1 October 2014. 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. This will apply to any unregulated buy-to-let contracts in the Portfolio and any debt collection activity with regard to commercial demands for payment.

In addition, the Unfair Practices Directive is taken into account in reviewing rules under the FSMA. For example, MCOB rules for Regulated Mortgage Contracts from 25 June 2010 prevent the lender from (a) repossessing the mortgaged property unless all other reasonable attempts to resolve the position have failed, which include considering whether it is appropriate to offer an extension of term, or conversion to interest-only for a period, or an alternative product, and (b) automatically capitalising a payment shortfall.

No assurance can be given that the implementation of the Unfair Practices Directive into UK law and any further harmonisation will not have a material adverse effect on the Loans or on the manner in which they are serviced and accordingly on the ability of the LLP to meet its obligations under the Covered Bond Guarantee.

Distance Marketing of Financial Services

The Financial Services (Distance Marketing) Regulations 2004 apply to, among other things, credit agreements entered into on or after 31 October 2004 by a "consumer" within the meaning of the regulations by means of distance communication (i.e. without any substantive simultaneous physical presence of the lender and the Borrower). A Regulated Mortgage Contract under the FSMA, if originated by a UK lender from an establishment in the UK, will not be cancellable under these regulations but will be subject to related pre-contract disclosure requirements in MCOB. Certain other credit agreements will be cancellable under these regulations if the borrower does not receive prescribed information at the prescribed time, or in any event for certain unsecured lending.Where the credit agreement is cancellable under these regulations, the Borrower may send notice of cancellation at any time before the end of the fourteenth day after the day on which the cancellable agreement is made, where all the prescribed information has been received or, if later, the Borrower receives the last of the prescribed information.

Compliance with the regulations may be secured by way of injunction (interdict in Scotland), granted on such terms as the court thinks fit to ensure such compliance, and certain breaches of the regulations may render the supplier or intermediaries (and their respective relevant officers) liable to a fine. Failure to comply with MCOB rules could result in, inter alia, disciplinary action by the FCA and possible claims under Section 138D of the FSMA for breach of FCA rules.

If the borrower cancels the credit agreement under these regulations, then: (a) the borrower is liable to repay the principal and any other sums paid by the originator to the borrower under or in relation to the cancelled agreement within 30 days 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 or any early repayment charge or other charge for credit under the cancelled agreement, only if the borrower received certain prescribed information at the prescribed time and if other conditions are met; and (c) any security provided in relation to the contract is to be treated as never having had effect for the cancelled agreement.

If a significant portion of the Loans are characterised as being cancellable under these regulations, then 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.

Financial Ombudsman Service

Under the FSMA, the Financial Ombudsman Service (the **Ombudsman**) is required to make decisions on, *inter alia*, complaints relating to activities and transactions under its jurisdiction, including the Loans, on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all the circumstances of the case, taking into account, *inter alia*, law and guidance. 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 Borrower, it is not possible to predict how any future decision of the Ombudsman would affect the value at which the Loans in the Portfolio could be realised and accordingly the ability of the LLP to meet its obligations under the Covered Bond Guarantee.

Land Registration Reform in Scotland

The Land Registration etc. (Scotland) Act 2012 (the **2012 Act**) came into force in Scotland on 8 December 2014. One of the policy aims of the 2012 Act is to encourage the transfer of property titles recorded in the historic General Register of Sasines to the more recently established Land Register of Scotland with the aim of eventually closing the General Register of Sasines.

Title to a residential property that is recorded in the General Register of Sasines will require to be moved to the Land Register of Scotland (a process known as 'first registration') when that property is (a) sold, (b) transferred, even if for no consideration, or (c) if the owner decides voluntarily to commence first registration. However, the 2012 Act sets out, in provisions which are being brought into effect in stages, additional circumstances which will trigger first registration of properties previously recorded in the General Register of Sasines, including (i) the recording of a standard security (which although not specifically covered, given the wording of the Act, would extend to any standard security granted by the Issuer 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 Perfection Event (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 Servicing Agreement following a Perfection Event (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 (the **Commencement Date**). To the extent that the transactions contemplated

by the Transaction Documents involve the sale of pools of mortgages and standard securities originated prior to the Commencement Date, these changes should not have any immediate effect in relation to Scottish Mortgages contained in the Portfolio on any Transfer Date.

The relevant provisions of the 2012 Act setting out the circumstances in which other types of dealings with a standard security, such as an assignation, will trigger first registration are not currently in force but have been the subject of a public consultation paper issued on 14 July 2014. The Registers of Scotland published a report on the consultation on 15 February 2015 which has provided some clarity on the timing and practical effect of the introduction of these provisions. Principally, the report confirms that 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 (due to a lack of consensus among respondents to the consultation on whether other types of deeds should trigger first registration) although the Registers of Scotland have reserved the right to consult further on this issue in the future.

If a Perfection Event occurs following the Commencement Date then an application to record a Scottish Sasine Sub-Security in relation to Scottish Mortgages in the Portfolio (following the transfer of legal title to such Scottish Mortgages by way of a Scottish Sasine Transfer) could trigger a first registration in the Land Register of Scotland of the underlying Scottish Properties secured by the relevant Scottish Mortgages.

The impact of these changes to the Scottish land registration system is unlikely to be of material detriment to the Security Trustee or to the Covered Bondholders for the following reasons: (a) the Registers of Scotland report on the consultation process indicated that whilst these changes are likely to prolong completion of the registration process, where possible they will take a pragmatic view and not burden parties (such as the LLP, Security Trustee or the Borrower who owns the underlying Scottish Property) with unreasonable or arbitrary costs and in particular the report indicates that the Scottish Ministers intend to make an order under section 110 of the 2012 Act waiving the statutory fee for a first registration where its purpose is the granting of a standard security, which would keep the statutory cost of registering a Scottish Sasine Sub-Security in line with current statutory costs; and (b) whilst the prolonged registration process is likely to be of practical inconvenience to the Security Trustee and the Covered Bondholders the validity and effectiveness of any Scottish Sasine Sub-Security would be unaffected by the change to the registration system (and the relevant Scottish Mortgages would in any event continue to be covered by the floating charge granted by the Issuer under the Deed of Charge). However, it is not unlikely that, were a Perfection Event to occur after the Commencement Date, the parties involved may still encounter increased legal and other third party costs relating to the first registration process and additional administrative burden.

As noted above, no indication has been given as to when or if the above provisions may be extended to other types of dealing with a standard security, such as assignations. However, if the General Register of Sasines becomes closed to assignations of standard securities under the same provisions at any time subsequent to the closing date then this would also have an impact on the registration of Scottish Sasine Transfers executed following a Perfection Event in a manner similar to Scottish Sasine Sub-Securities, with the probability of higher legal costs and a longer period required to complete registration than would currently be the case.

As noted above, such events will only occur following a Perfection Event and, given that the proportion of residential properties in Scotland which remain recorded in the General Register of Sasines continues to decline (Registers of Scotland estimate that in December 2013 57.18% of property titles in Scotland were registered in the Land Register of Scotland), it is likely that only a minority of the Scottish Mortgages will be recorded in the General Register of Sasines.

Mortgage Repossession

A protocol for mortgage repossession cases in England and Wales came into force on 19 November 2008, which sets out the steps that judges will expect any lender to take before starting a claim. A number of mortgage lenders, including the Issuer, 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. The application of such moratorium may be subject to the wishes of the relevant borrower and may not apply in cases of fraud. The Mortgage Repossessions (Protection of Tenants etc) Act 2010 came into force on 1 October 2010. This Act gives courts in England and Wales the same power to postpone and suspend repossession for up to two (2) months on application by an unauthorised tenant (i.e. a tenant in possession without the lender's consent) as generally exists on application by an authorised tenant. The lender has to serve notice at the property before enforcing a possession order.

Part I of the Home Owner and Debtor Protection (Scotland) Act 2010 came into force on 30 September 2010 and imposes additional requirements on heritable creditors (the Scottish equivalent 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.

Private Housing (Tenancies) (Scotland) Act 2016

The Scottish Parliament recently passed the Private Housing (Tenancies) (Scotland) Act 2016 which came into force on 1 December 2017. One of the changes made by this legislation will be to introduce a new form of tenancy in Scotland known as a 'private residential tenancy' which will (except in a very limited number of exceptions) provide tenants with security of tenure by restricting a landlord's ability to regain possession of the property to a number of specific eviction grounds. The intention is that private residential tenancies will replace assured and short assured tenancies in the future.

Many of the grounds for eviction will remain the same; however, it should be noted that the current ground of eviction based on 'no fault', i.e. that the tenancy has simply reached its expiry date, has now been removed. There have also been changes to the notice periods required to be given by both landlord and tenant, based on the term of occupation by the tenant. Finally, certain areas may be designated 'rent pressure zones' going forwards, and the effect of this is that any rent increases may be capped at a percentage level set by the Scottish Government. There is some concern that this may lead to an introduction of statutory control on rents in the future.

Accordingly, a lender or security-holder may not be able to obtain vacant possession if it wishes to enforce its security unless one of the specific eviction grounds under the legislation applies. It should be noted though that one of the grounds on which an eviction order can be sought is that a lender or security-holder intends to sell the property and requires the tenant to leave the property in order to dispose of it with vacant possession. The effect of this legislative change will primarily be restricted to any buy-to-let loans secured over Scottish Property. In the event of a dispute, a new tribunal has been created to deal with such matters.

The Private Housing (Tenancies) (Scotland) Act 2016 will not affect holiday lets, social police or military housing or student accommodation that is either purpose-built and/or provided by academic institutions.

The Pre-action Protocol and the above-mentioned Acts may have adverse effects in markets experiencing above-average levels of possession claims. Delays in the initiation of responsive action in respect of the Loans may result in lower recoveries and may affect the ability of the LLP to make payments under the Covered Bond Guarantee.

The Renting Homes (Wales) Act 2016

The Renting Home (Wales) Act (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 twenty-one (21) years).

The Renting Homes Act (which only has effect in Wales) does not contain an equivalent mandatory ground for possession that a lender had under the Housing Act 1988 where a property was subject to a mortgage granted before the beginning of the tenancy and the lender required possession in order to dispose of the property with vacant possession.

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.

Energy Efficiency Regulations 2015

From 1 April 2018, landlords of relevant domestic properties in England and Wales may not grant a tenancy to new or existing tenants if their property has an EPC rating of band F or G (as shown on a valid Energy Performance Certificate for the property) and from 1 April 2020, landlords must not continue letting a relevant domestic property which is already let if that property has an EPC rating of band F or G (as shown on a valid Energy Performance Certificate for the property). In both cases described above this is referred to in the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 (the **Energy Efficiency Regulations 2015**) as the prohibition on letting substandard property. Where a landlord wishes to continue letting property which is currently substandard, they will need to ensure that energy efficiency improvements are made which raise the EPC rating to a minimum of E. In certain circumstances landlords may be able to claim an exemption from this prohibition on letting sub-standard property; this includes situations where the landlord is unable to obtain funding to cover the cost of making improvements, or where all improvements which can be made have been made, and the property remains below an EPC rating of Band E. Local authorities will enforce compliance with the domestic minimum level of energy efficiency. They may check whether a property meets the minimum level of energy efficiency, and may issue a compliance notice requesting information where it appears to them 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.

Right to Buy Loans

0.65 per cent of the Loans by current balance in the Portfolio are Right to Buy Loans. Properties sold under the Right to Buy scheme of the Housing Act 1985 are sold by the landlord at a discount to market value calculated in accordance with the Housing Act 1985. A purchaser under the scheme of the Housing Act 1985 must repay 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. The landlord obtains a statutory charge in respect of the contingent liability of the purchaser under the scheme to repay the discount. Under the Housing Act 1985, such statutory charge ranks in priority to

other charges including that of any mortgage lenders except in certain circumstances. Such statutory charge shall automatically rank behind any charge on the related property in relation to monies advanced by an approved lending institution to the extent they are advanced for the purpose of enabling the purchaser to exercise his or her right to buy. 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.

Risk of Losses Associated with Non-Owner Occupied Properties

The UK Government has passed legislation restricting the amount of income tax relief that individual landlords can claim for residential property finance costs (such as mortgage interest) to the basic rate of tax. Such restriction will be introduced gradually from 6 April 2017. From 1 April 2016, a higher rate of stamp duty land tax (**SDLT**) applies to the purchase of additional residential properties (such as buy-to-let properties) in England and Wales. The current additional rate is 3% above the current SDLT rates. The Scottish government announced similar plans on 28 January 2016 in respect of land and buildings transaction tax and equivalent residential properties in Scotland and from 25 January 2019 an additional supplement of 4% of the total purchase price of the dwelling is chargeable. The new rates will not apply to contracts entered into prior to 12 December 2018.

The introduction of these measures may adversely affect the private residential rental market in England and Wales 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.

General

No assurance can be given that additional regulations or guidance from the FCA, the CMA, the PRA, the Ombudsman or any other regulatory authority will not arise with regard to the mortgage market in the United Kingdom generally, the Seller's particular sector in that market or specifically in relation to the Seller. Any such action or developments, in particular, but not limited to the cost of compliance may have a material adverse effect on the 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.

Potential effects of any additional regulatory changes

In the United Kingdom and elsewhere, there is continuing political and regulatory scrutiny of the banking industry and, in particular, retail banking. In the United Kingdom, the FSA (and in relation to current enquiries, the FCA and the PRA) and the CMA have recently 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 United Kingdom generally, the Seller's particular sector in that market or specifically in relation to the Seller. Any such action or developments, in particular, but not limited to, the cost of compliance, may have a material adverse effect on the NatWest 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.

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

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

In particular, it should be noted that the Basel Committee on Banking Supervision (**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). BCBS member countries agreed to implement the initial phase of the Basel III reforms from 1 January 2013 and the second phase from 1 January 2022, subject to transitional and phase-in arrangements for certain requirements. 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 Europe. 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.

In addition, it should be noted that the draft directive provides for permanent grandfathering with respect to certain requirements of the new regime for article 52(4) UCITS Directive-compliant covered bonds issued by an issuer with its registered office in an EU member state before the relevant application date, provided there is continued supervision by the relevant designated competent authority in the EU (similar grandfathering provisions are also provided for in the draft regulation). Therefore, it is uncertain whether preferential regulatory treatment will remain available in respect of the Covered Bonds following the departure of the UK from the European Union and this will depend in part on the terms of the UK's exit (as to which, please refer to "*Political Uncertainty*" above).

EU financial transaction tax

On 14 February 2013, the European Commission issued proposals, including a draft Directive (the **Commission's proposal**) for a financial transaction tax (**FTT**) to be adopted in certain participating EU member states (including Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia, although Estonia has since stated that it will not participate). If the Commission's proposal was adopted, the FTT would be a tax primarily on "financial institutions" (which would include the Issuer) in relation to "financial transactions" (which would include the conclusion or modification of derivative contracts and the purchase and sale of financial instruments).

Under the Commission's proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating member states. Generally, it would apply where at least one party is a financial institution, and at least one party is established in a participating member state. A financial institution may be, or be deemed to be, "established" in a participating member state in a broad range of circumstances, including (a) by transacting with a person established in a participating

member state or (b) where the financial instrument which is subject to the financial transaction is issued in a participating member state.

The FTT may give rise to tax liabilities for the Issuer or the LLP with respect to certain transactions (including concluding swap transactions and/or purchases or sales of securities (such as authorised investments)) if it is adopted based on the Commission's proposal. Any such tax liabilities may reduce amounts available to the Issuer or the LLP to meet its obligations under the Covered Bonds or the Covered Bond Guarantee (as applicable) and may result in investors receiving less interest or principal than expected. To the extent that such liabilities may arise at a time when winding up proceedings have been commenced in respect of the Issuer or the LLP, such liabilities may be regarded as an expense of the liquidation and, as such, be payable out of the floating charge assets of the Issuer or the LLP (as applicable, and their general estate) in priority to the claims of Covered Bondholders and other secured creditors. It should also be noted that the FTT could be payable in relation to relevant transactions by investors in respect of the Covered Bonds (including secondary market transactions) if the conditions for a charge to arise are satisfied and the FTT is adopted based on the Commission's proposal. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

However, the FTT proposal remains subject to negotiation between participating member states. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU member states may decide to participate.

Prospective holders of the Covered Bonds are advised to seek their own professional advice in relation to the FTT.

Covered Bonds where denominations involve integral multiples: definitive Covered Bonds

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

Limited Liability Partnerships

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

Pensions Act 2004

Under the Pensions Act 2004, a person that is "connected with" or an "associate" of an employer under an occupational pension scheme can be subject to either a contribution notice or a financial support direction. NatWest 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" NatWest. A contribution notice could be served on the LLP if it was party to an act, or a deliberate failure to act: (a) which has caused a material detriment to the pension scheme (whether or not intentionally); or (b) the main purpose or one of the main purposes of which was either (i) to prevent the recovery of the whole or any part of a debt which was, or might become, due from the employer under section 75 of the Pensions Act 1995 or (ii) otherwise than in good faith, to prevent such a debt becoming due, to compromise or otherwise settle such a debt, or to reduce the amount of such a debt which would otherwise become due.

A financial support direction could be served on the LLP where the employer is either a service company or insufficiently resourced. An employer is insufficiently resourced if the value of its resources is less than 50% 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 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.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Covered Bonds and the LLP will make any payments under the Covered Bond Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit other than the Specified Currency (the **Investor's Currency**). These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (a) the Investor's Currency-equivalent yield on the Covered Bonds, (b) the Investor's Currency-equivalent value of the principal payable on the Covered Bonds and (c) the Investor's Currency-equivalent market value of the Covered Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Covered Bonds. As a result, investors may receive less interest or principal than expected, or no interest or principal.

FORM OF THE COVERED BONDS

The Covered Bonds of each Series will be in either bearer form, with or without Coupons and/or Talons attached, or registered form, without Coupons and/or Talons attached. Bearer Covered Bonds will be issued outside the United States in reliance on Regulation S and Registered Covered Bonds will be issued outside the United States in reliance on the exemption from registration provided by Regulation S.

Bearer Covered Bonds

Each Tranche of Bearer Covered Bonds will be initially issued in the form of a temporary global covered bond without Coupons attached (a **Temporary Global Covered Bond**) or, if so specified in the applicable Final Terms (the **applicable Final Terms**), a permanent global covered bond without 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:

(a) if the Bearer Global Covered Bonds are intended to be issued in new global covered bond (**NGCB**) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**); and

(b) 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.

Whilst 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 forty (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: (a) interests in a Permanent Global Covered Bond of the same Series; or (b) for Bearer Definitive Covered Bonds of the same Series with, where applicable, 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, Coupons and Talons attached upon either (a) not less than sixty (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 (b) 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 fourteen (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 (Notices) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Covered Bond) or the Bond Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (ii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than forty-five (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 Bond upon notice from Euroclear and/or Clearstream (acting on the instructions of any holder) or at any time at the request of the Issuer should not be expressed to be applicable in the applicable Final Terms if the Covered Bonds are issued in 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.

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 (1) year and on all interest coupons and talons relating to such Bearer Covered Bonds:

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

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

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

Registered Covered Bonds

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

Registered Global Covered Bonds will 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.

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) (Payments in respect of Registered Covered Bonds)) as the registered holder of the Registered Global Covered Bonds. None of the Issuer, the LLP, the Bond Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Covered Bonds in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 5(d) (Payments in respect of Registered Covered Bonds)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for Registered Definitive Covered Bonds without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that: (a) in the case of Covered Bonds registered in the name of a nominee for a common depositary or 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 fourteen (14) days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or (b) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the 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, 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 (b) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten (10) days after the date of receipt of the first relevant notice by the Registrar.

N Covered Bonds and Other Covered Bonds

N Covered Bonds will be issued to each holder of N Covered Bonds. For the avoidance of doubt, such N Covered Bonds will not be issued pursuant to this Prospectus.

In the future, the Issuer may issue, not under this Prospectus, Covered Bonds with different features and different risks associated with them such as index-linked, dual currency, variable interest and partly paid covered bonds. It is not expected that the consent of the Covered Bondholders will be obtained in order to provide for the inclusion of such Covered Bonds in the Programme.

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 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*".

A transfer of N Covered Bonds is not effective until the transferee has delivered to the Registrar a duly executed copy of the N Covered Bond Agreement relating to such N Covered Bond along with a duly executed N Covered Bond Assignment Agreement.

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 which are different from the common code and ISIN 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 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 the 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 to be deposited with one of the ICSDs as common safekeeper (and in the case of registered Covered Bonds, registered in the name of a nominee of one of the ICSDs acting as common safekeeper). Where the Covered Bonds are not intended to be deposited with one of the ICSDs as common safekeeper upon issuance, should the Eurosystem eligibility criteria be amended in the future such as

that the Covered Bonds are capable of meeting such criteria, the Covered Bonds may then be deposited with one of the ICSDs as common safekeeper. Where the Covered Bonds are so deposited with one of the ICSDs as common safekeeper (and in the case of registered Covered Bonds, registered in the name of a nominee of one of the ICSDs acting as common safekeeper) upon issuance or otherwise, this does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at issuance or at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

FORM OF FINAL TERMS

[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: (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (**MiFID II**); (b) a customer within the meaning of Directive 2002/92/EC (**IMD**); or (c) not a qualified investor as defined in Directive 2003/71/EC (as amended, the **Prospectus Directive**). Consequently no key information document required by Regulation (EU) No 1286/2014 (the **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 PRIIPs Regulation.][1]

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: (a) 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 (b) 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 manufacturers' 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 manufacturers' target market assessment) and determining appropriate distribution channels.

[Date]

National Westminster Bank Plc

Legal entity identifier: 213800IBT39XQ9C4CP71

Issue of Regulated [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds] irrevocably and unconditionally guaranteed as to payment of principal and interest by NatWest Covered Bonds Limited Liability Partnership under the €25 billion Global Covered Bond Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Covered Bonds (the **Conditions**) set forth in the Prospectus dated [date] [and the supplemental Prospectus dated [date]] which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (as amended, which includes the amendments made by Directive 2010/73/EU to the effect that such amendments have been implemented in a relevant Member State) (the **Prospectus Directive**). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus. Full information on the Issuer 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 the Prospectus [and the supplemental Prospectus] are available free of charge to the public at the registered office of the Issuer and from the specified office of the Principal Paying Agent.]

[1] Legend to be included on front of the Final Terms if the Notes 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".

[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 [date] [and the supplement[s] dated [date] and [date]]] which [together] constitute[s] a base prospectus (the **Prospectus**) for the purposes of the Prospectus Directive (Directive 2003/71/EC) (as amended, which includes the amendments made by Directive 2010/73/EU to the effect that such amendments have been implemented in a relevant Member State) (the **Prospectus Directive**) to the extent that such amendments have been implemented in a Member State. This document constitutes the final terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus. 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 dated [date] [and the supplemental Prospectus dated [date]]. Copies of such Prospectus are available free of charge to the public at the registered office of the Issuer and from the specified office of the Principal Paying Agents.]

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 U.S. 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 LLP has determined that it satisfies the requirements of Section 3(c)(5)(C) of the Investment Company Act. See "Certain Volcker Rule Considerations" in the Prospectus dated [date].

1.	(a)	Issuer:	National Westminster Bank Plc
	(a)	Guarantor:	NatWest Covered Bonds Limited Liability Partnership
2.	(a)	Series Number:	[●]
	(b)	Tranche Number:	[●]
	(c)	Series which Covered Bonds will be consolidated and form a single Series with:	[●]/[Not Applicable]
	(d)	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:	
	(a)	Series:	[●]
	(b)	Tranche:	[●]
6.	(a)	Issue Price:	[●]% of the Aggregate Nominal Amount [plus

			accrued interest from [●]]
	(b)	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]]
	(c)	Calculation Amount:	[●]
7.	(a)	Issue Date:	[●]
	(b)	Interest Commencement Date:	[●]/[Issue Date]/[Not Applicable]
8.	(a)	Final Maturity Date:	[●]/[Interest Payment Date falling in or nearest to [●]]
	(b)	Extended Due for Payment Date of Guaranteed Amounts corresponding to the Final Redemption Amount under the Covered Bond Guarantee:	[●]/[Interest Payment Date falling in or nearest to [●]]/Not Applicable]
9.	Interest Basis:		[●]% Fixed Rate] [[SONIA]/[[LIBOR/EURIBOR/STIBOR/HIBOR /SIBOR/ TIBOR] +/- [●]% [Floating Rate] [Zero Coupon]
10.	Redemption/Payment Basis:		[100]% of the nominal value
11.	Change of Interest Basis or Redemption/Payment Basis:		[●]/[in accordance with paragraphs 13, 14 and 17 below]
12.	Put/Call Options:		[Issuer Call]/[Not Applicable]
13.	[Date [Management Committee] approval for issuance of Covered Bonds obtained:		[●] [and [●], respectively]]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Covered Bond Provisions:		[Applicable/Not Applicable]
	(a)	[Fixed Rate(s) of Interest:	[●]% p.a. payable in arrear on each Interest Payment Date
	(b)	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])
	(c)	Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding

			Business Day Convention]
	(d)	Business Day(s):	[●]
		Additional Business Centre(s):	[[London/Brussels/Stockholm/Hong Kong/Singapore/Tokyo/New York/Sydney]//Not Applicable]
	(e)	Fixed Coupon Amount(s):	[●] per Calculation Amount
	(f)	Initial Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]]/[Not Applicable]
	(g)	Final Broken Amount:	[●]
	(h)	Day Count Fraction:	[30/360 or Actual/Actual (ICMA)]
	(i)	Determination Date(s):	[●] in each year/[Not Applicable]
15.	Floating Rate Covered Bond Provisions:		[Applicable/Not Applicable]
	(a)	Specified Period(s)/Specified Interest Payment Date(s):	[●] (provided however that [prior to the Extension Determination Date,][the Specified Interest Payment Date shall be no more frequent than quarterly][, and provided further that] [after the Extension Determination Date, the Interest Payment Date shall be [monthly][quarterly]]) The first Interest Payment Date shall be [●]
	(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention
	(c)	Additional Business Centre(s):	[[London/Brussels/Stockholm/Hong Kong/Singapore/Tokyo/New York/Sydney]/Not Applicable]
	(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
	(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent):	[●]
	(f)	Screen Rate Determination:	[Applicable/Not Applicable]
		(i) Reference Rate and Relevant Financial Centre:	Reference Rate: [●] month [SONIA]/[[●] month][LIBOR/EURIBOR/STIBOR/HIBOR/SIBOR/ TIBOR]

			Relevant Financial Centre: [London/Brussels/ Stockholm/Hong Kong/Singapore/Tokyo/New York/Sydney]
		(ii) Interest Determination Date(s):	[●]
		(i) Relevant Screen Page:	[●]
	(g)	ISDA Determination:	[Applicable/Not Applicable]
		(i) Floating Rate Option:	[●]
		(ii) Designated Maturity:	[●]
		(iii) Reset Date:	[●]
	(h)	Margin(s):	[+/-] [●]% p.a.
	(i)	Minimum Rate of Interest:	[[●]% p.a.]/[Not Applicable]
	(j)	Maximum Rate of Interest:	[[●]% p.a.]/[Not Applicable]
	(k)	Day Count Fraction:	[Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 360/360 Bond Basis 30E/360 Eurobond Basis 30E/360(ISDA)]
	(l)	Observation Period:	[*specify number*]
16.	Zero Coupon Covered Bond Provisions:		[Applicable/Not Applicable]
	Accrual Yield:		[●]% p.a.
	Reference Price:		[●]
	(a)	Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(b)	Business Day(s):	[●]
		Additional Business Centre(s):	[[London/Brussels/Stockholm/Hong Kong/Singapore/Tokyo/New York/Sydney]/Not Applicable]
	(c)	Day Count Fraction in relation to Early Redemption Amounts and	[Condition 6(f) applies]

late payment:

PROVISIONS RELATING TO REDEMPTION BY THE ISSUER

17.	Issuer Call:		[Applicable/Not Applicable]
	(a)	Optional Redemption Date(s):	[●]
	(b)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(c)	If redeemable in part:	
		(i) Minimum Redemption Amount:	[●]/Not Applicable
		(ii) Higher Redemption Amount:	[●]/Not Applicable
18.	Investor Put Option:		[Applicable/Not Applicable]
	(a)	Optional Redemption Date(s):	[●]
	(b)	Optional Redemption Amount(s) and method, if any, of calculation of such amounts:	[●] per Calculation Amount
19.	Final Redemption Amount:		[Nominal Amount/[●] per Calculation Amount]
20.	Early Redemption Amount payable on redemption for taxation reasons, on acceleration following an Issuer Event of Default or an LLP Event of Default:		[●] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

21.	New Global Covered Bond:	[Yes][No]
22.	Held under New Safekeeping Structure	[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 sixty (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 in definitive

		form only after an Exchange Event[/on not less than sixty (60) days' notice] [Registered Covered Bonds: Registered Global Covered Bond (U.S.$[●] nominal amount) registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]
24.	Additional Financial Centre(s) relating to Payment Dates:	[Not Applicable]
25.	Talons for future Coupons to be attached to Bearer Definitive Covered Bonds (and dates on which such Talons mature):	[Yes, as the Covered Bonds have more than twenty-seven (27) coupon payments, Talons may be required if, on exchange into definitive form, more than twenty-seven (27) coupons payments are still to be made/No]
26.	Redenomination:	[Not applicable/The provisions in Condition 5(h) apply]
27.	Stabilising Manager:	[●]/[Not Applicable]

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

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(a)	Admission to Trading:	Application [is expected to/has] been made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on the London Stock Exchange's Regulated Market and to the Official List of the UK Listing Authority with effect from [●]
(b)	Estimate of total expenses related to admission to trading:	[●]

2. RATINGS

Ratings:	The Covered Bonds to be issued have been rated: Moody's: [●] Fitch: [●]

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 transaction with and may perform other services for the Issuer and/or the LLP it or their affiliates in the ordinary course of business.]

4. OPERATIONAL INFORMATION:

(a)	ISIN Code:	[●]
(b)	Common Code:	[●]
(c)	CFI:	[[●]/Not Applicable]
(d)	FISN:	[[●]/Not Applicable]
(e)	[(Insert here any other relevant codes):]	[Not Applicable/give name(s) and number(s)]
(f)	Names and addresses of additional Paying Agent(s) (if any):	[●]
(g)	Intended to be held in a manner	[Yes. Note that the designation "yes" simply

	which would allow Eurosystem eligibility:	means that the Notes 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 Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday 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 Notes are capable of meeting them the Notes 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 Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intraday 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.]
5.	**DISTRIBUTION**	
	U.S. Selling Restrictions:	[Reg. S Compliance Category 2; TEFRA D/TEFRA C/TEFRA not applicable]
	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable]
6.	**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

TERMS AND CONDITIONS OF THE COVERED BONDS

With the exception of N 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.

*In relation to N Covered Bonds, the terms and conditions of such Series of Covered Bonds will be as set out in the N Covered Bond (Namensschuldverschreibung) (and the N Covered Bond Conditions attached as Schedule 1 thereto) together with the N Covered Bond Agreement relating to such N Covered Bond. Any reference to an "**N Covered Bond Condition**" other than in this section shall be deemed to be, as applicable, a reference to the relevant provision of the N Covered Bond, the N Covered Bond Conditions as Schedule 1 attached thereto or the provisions of the N Covered Bond Agreement relating to such N Covered Bond.*

This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by National Westminster Bank Plc (the **Issuer**) constituted by a trust deed dated 1 April 2010 (the **Initial Programme Date**), as supplemented by a first supplemental trust deed dated 29 February 2012 and as supplemented on 16 May 2013, 19 December 2014, 10 July 2015, 19 December 2016, 6 June 2018 and 28 February 2019 (such trust deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) made between the Issuer, NatWest Covered Bonds Limited Liability Partnership as guarantor (the **LLP**) and Citicorp 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 (Events of Default and Enforcement) and 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution), references herein to the **Covered Bonds** shall be references to the Covered Bonds of this Series and shall mean:

(a) 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;

(b) any Global Covered Bond;

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

(d) 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 dated the Initial Programme Date, as supplemented by a first supplemental agency agreement dated 29 February 2012 and as amended and restated on 16 May 2013, 10 July 2015, 6 June 2018 and 28 February 2019 (such agency agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) and made between the Issuer, the LLP, the Bond Trustee, the Security Trustee and Citibank, N.A., London Branch as issuing and principal paying agent (in such capacity, the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying**

Agents, which expression shall include any additional or successor paying agents), Citibank, N.A., London Branch as registrar (in such capacity, the **Registrar**, which expression shall include any successor registrar) and as transfer agent (in such capacity, a **Transfer Agent** and together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents). As used herein, **Agents** shall mean the Paying Agents and the Transfer Agents.

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 twenty-seven (27) interest payments remaining, talons for further Coupons (**Talons**) are 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 or any drawdown prospectus.

The Bond Trustee acts as trustee for 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: (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.

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 the occurrence of an LLP Event of Default and service by the Bond Trustee 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 dated the Initial Programme Date and as supplemented on 14 December 2014 and 6 June 2018 (such deed of charge as amended and/or supplemented and/or restated from time to time, the **Deed of Charge**) 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 Master Definitions and Construction Agreement (as defined below), the Agency Agreement and each of the other Transaction Documents are available for inspection free of charge during normal business hours at the registered office for the time being of the Bond Trustee being at the Initial Programme Date at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and at the specified office of the Principal Paying Agent. Copies of the

applicable Final Terms for all Covered Bonds of each Series (including in relation to unlisted Covered Bonds of any Series) are obtainable during normal business hours at the specified office of the Principal Paying Agent 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. For the avoidance of doubt the N Covered Bonds and the N Covered Bond Agreement will not be available for inspection. The Covered Bondholders and the Couponholders are deemed to have notice of, are bound by, and are entitled to the benefit of, all the provisions of, and definitions contained in, the Trust Deed, the Deed of Charge, the Master Definitions and Construction Agreement, the Agency Agreement, each of the other Transaction Documents and the applicable Final Terms which are applicable to them and to have notice of each set of Final Terms relating to each other Series.

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 Initial Programme Date as amended on 26 May 2010, as amended and restated on 14 June 2011, as novated pursuant to the Global Deed of Novation on 1 November 2012, as amended on 21 December 2012 and as further amended and restated on 16 May 2013, 19 December 2014, 10 July 2015, 19 December 2016 and 6 June 2018 (as the same may be amended and/or supplemented and/or restated 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 denominated in any currency.

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

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 held on behalf of, or, as the case may be, registered in the name of a common depositary (in the case of a CGCB) or common safekeeper (in the case of a NGCB) for Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg 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 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, without limitation, 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, for which purpose the bearer of the relevant Global Covered Bond or the registered holder of the relevant Registered Global Covered Bond shall be treated by the Issuer, the LLP, any Paying Agent, the Security Trustee and the Bond Trustee as the holder of such nominal amount of such Covered Bonds in accordance with and subject to the terms of the relevant Global Covered Bond and the expression **Covered Bondholder** and related expressions shall be construed accordingly.

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

References to 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 Registered Global Covered Bonds (**Registered Global Covered Bonds**) will be effected by 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 exchangeable 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 Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

(b) Transfers of Registered Covered Bonds in definitive form

Subject as provided in Conditions 2(e) and 2(f) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Covered Bond in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer: (i) the holder or holders must:

(A) surrender the Registered Covered Bond for registration of the transfer of the Registered Covered Bond (or the relevant part of the Registered Covered Bond) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing; and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent; and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Bond Trustee and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 6 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three (3) 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 Registered Global Covered Bonds

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

(f) 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.

(g) 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 means the period that ends forty (40) days after the completion of the distribution of the relevant Tranche of Covered Bonds, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

New Safekeeping Structure means the safekeeping structure for registered notes 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";

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;

Regulation S means Regulation S under the Securities Act; 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 or priority 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 have 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 are (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), direct, unconditional (subject as provided in Condition 17 (Limited Recourse)) and unsubordinated obligations of the LLP, which are secured as provided in the Deed of Charge.

Any payment made by the LLP under the Covered Bond Guarantee shall (unless such obligation shall have been discharged as a result of the payment of Excess Proceeds to the Bond Trustee pursuant to Condition 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 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 (1) 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 (1) 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 the delivery of a Notice to Pay on the LLP, the date on which the Scheduled Payment Date in respect of such Guaranteed Amounts is reached, or, if later, the day which is two (2) London Business Days following service of a Notice to Pay on the LLP in respect of such Guaranteed Amounts, or if the applicable Final Terms specify that an Extended Due for Payment Date is applicable to the relevant Series of Covered Bonds, the Scheduled Payment Date that would have applied if the Final Maturity Date of such Series of Covered Bonds had been the Extended Due for Payment Date.

Principal Amount Outstanding means in respect of a Covered Bond on any day the principal amount of that Covered Bond on the relevant Issue Date thereof less principal amounts received by the relevant Covered Bondholder in respect thereof on or prior to that day.

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, euro 0.01.

(b) Interest on Floating Rate Covered Bonds

(i) Interest Payment Dates

Each Floating Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

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

(B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, the expression **Interest Period** shall mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B), 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 or any successor thereto (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 subparagraph (A), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Principal Paying Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds (the **ISDA Definitions**) and under which:

(1) the Floating Rate Option is as specified in the applicable Final Terms;

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

(3) the relevant Reset Date is if the applicable Floating Rate Option is based on the London inter-bank offered rate (**LIBOR**), the Euro-zone inter-bank offered rate (**EURIBOR**), the Stockholm inter-bank offered rate (**STIBOR**), the Hong Kong inter-bank offered rate (**HIBOR**), the Singapore inter-bank offered rate (**SIBOR**) or the Tokyo inter-bank offered rate (**TIBOR**), for a currency, the first day of that Interest Period.

For the purposes of this subparagraph (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 applicable 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. in the Relevant Financial Centre on the Interest Determination Date in question plus or minus the Margin (if any), all as determined by the Principal Paying Agent. If five (5) or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest pursuant to this subparagraph (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 (3) such offered quotations appear, in each case as at the time specified in the preceding paragraph.

SONIA

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined and the Reference Rate in respect of the relevant Series of Floating Rate Covered Bonds is specified in the applicable Final Terms as being SONIA, the Rate of Interest for each Interest Period will, subject as provided below, be Compounded Daily SONIA plus or minus (as indicated in the applicable Final Terms) the Margin.

Compounded Daily SONIA means the rate of return of a daily compound interest investment (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) and will be calculated 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) as at the Interest Determination Date, as follows, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{SONIA_{i-pLBD}\times n_i}{365}\right)-1\right]\times\frac{365}{d}$$

where:

d is the number of calendar days in the relevant Interest Period;

d_o is the number of London Business Days in the relevant Interest 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 in the relevant Interest Period;

LBD means a London Business Day;

n_i, for any day "i", means the number of calendar days from and including such day "i" 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 Period and ending on, but excluding, the date falling "p" London Business Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" London Business Days prior to such earlier date, if any, on which the Covered Bonds become due and payable);

p means for any Interest Period, the number of London Business Days included in the Observation Period, as specified in the applicable Final Terms;

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); and

$SONIA_{i\text{-}pLBD}$ means, in respect of any London Business Day falling in the relevant Interest Period, the SONIA reference rate for the London Business Day falling "p" London Business Days prior to the relevant London Business Day "i".

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) (a) the Bank of England's Bank Rate (the **Bank Rate**) prevailing at close of business on the relevant London Business Day; plus (b) 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; or

(ii) if the Bank Rate is not published by the Bank of England at close of business on the relevant London Business Day, the SONIA reference rate published on

the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding London Business Day on which the SONIA reference rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors).

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.

If the relevant Series of Covered Bonds become due and payable in accordance with Condition 9, 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.

(iii) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specify a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specify a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) Determination of Rate of Interest and calculation of Interest Amounts

The Principal Paying Agent, in the case of Floating Rate Covered Bonds will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent 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. Each Interest Amount shall be calculated by applying the Rate of Interest to the Principal Amount Outstanding, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Day Count Fraction means, in respect of the calculation of an amount of interest for any Interest Period:

(A) if **Actual/Actual** or **Actual/Actual (ISDA)** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(B) if **Actual/365 (Fixed)** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(C) if **Actual/365 (Sterling)** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(D) if **Actual/360** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(E) if **30/360**, **360/360** or **Bond Basis** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1) + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(F) if **30E/360** or **Eurobond Basis** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1) + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30;

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(G) if **30E/360 (ISDA)** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1) + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30;

"D2" is the calendar day, expressed as a number, immediately following the last day of the Interest Period, unless (i) that day is the last day of February but not the Final Maturity Date (or, as the case may be, the Extended Due for Payment Date) or (ii) such number would be 31, in which case D2 will be 30.

(v) Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent (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 Principal Paying Agent. 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 Principal Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph (ii)(ii)(A) or (B) above 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 may determine (or appoint an agent to 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 may 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 Principal Paying Agent or the Calculation Agent, as the case may be.

(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 Principal Paying Agent or the Bond Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the LLP, the Principal Paying Agent, the other Paying Agents, the Bond Trustee and all the Covered Bondholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the LLP, the Covered Bondholders or the Couponholders shall attach to the Principal Paying Agent or the Bond Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) 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 or default is otherwise made in the payment thereof, 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 (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(ii) payments in euro will be made by credit or electronic transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

In the case of Bearer Covered Bonds, payments in U.S. dollars will be made by transfer to a U.S. dollar account maintained by the payee with a bank outside of the United States (which expression, as used in this Condition 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 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 (inclusive) of the Code, any regulations or agreements thereunder, official interpretations thereof, or 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 any Long Maturity Covered Bonds) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall include Coupons failing 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 ten (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, five (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 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 upon issue had a Talon attached) which nominal amount on issue is less than the aggregate interest payable thereon, provided that such Covered Bond shall cease to be a Long Maturity Covered Bond on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the Principal Amount Outstanding of such Covered Bond. If the date for redemption of any Bearer Definitive Covered Bond is not an Interest Payment Date, interest (if any) accrued in respect of such Covered Bond from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date, shall be payable only against surrender of the relevant Bearer Definitive Covered Bond.

(c) Payments in respect of Bearer Global Covered Bonds

Payments of principal and interest (if any) in respect of Covered Bonds represented by any Bearer Global Covered Bond will (subject as provided below) be made in the manner specified above in relation to Bearer Definitive Covered Bonds and otherwise in the manner specified in the relevant Global Covered Bond (against presentation or surrender, as the case may be, of such Global Covered Bond if the Bearer Global Covered Bond is not intended to be issued in NGCB form at the specified office of any Paying Agent outside the United States). On the occasion of each payment, (i) in the case of any Bearer Global Covered Bond which is not issued in NGCB form, a record of such payment made on such Bearer Global Covered Bond, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Covered Bond by the Paying Agent, and such record shall be *prima facie* evidence that the payment in question has been made and (ii) in the case of any Global Covered Bond which is issued in NGCB form, the Paying Agent shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

(d) Payments in respect of Registered Covered Bonds

Payments of principal in respect of each Registered Covered Bond (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Covered Bond at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by electronic transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the register of holders of the Registered Covered Bonds maintained by the Registrar (the **Register**) at the close of business on the

third Business Day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Covered Bonds held by a holder is less than U.S.$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 (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest in respect of each Registered Covered Bond (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the Business Day in the city where the specified office of the Registrar is located on the relevant due date to the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the Register at the close of business on (i) in the case of Registered Covered Bonds in global form, the Business Day prior to the relevant due date and (ii) in the case of Registered Covered Bonds in definitive form the fifteenth day (whether or not such fifteenth day is a Business Day) before the relevant due date (in each case 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 (3) Business Days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Covered Bond, the payment may be made by electronic transfer on the due date in the manner provided in the preceding paragraph. Any such application for electronic transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Covered Bonds which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Covered Bond on redemption will be made in the same manner as payment of the principal in respect of such Registered Covered Bond.

Holders of Registered Covered Bonds will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Covered Bond as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Covered Bonds.

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 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 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 the 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) the relevant place of presentation;

(B) London; and

(C) any Additional Financial Centre specified in the applicable Final Terms; and

(ii) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

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

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

(vii) any Excess Proceeds which may be payable by the Bond Trustee under or in respect of the Covered Bonds.

Any reference in these Conditions to interest in respect of the Covered Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 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 and Clearstream, Luxembourg and at least thirty (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 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 fifteen (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 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 a Series of 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; and

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

6. Redemption and Purchase

(a) Final redemption

Unless previously redeemed in full 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 (1) Business Day prior to the Extension Determination Date, the LLP has insufficient monies available to apply under the Guarantee Priority of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series of Covered Bonds on the date falling on the earlier of (i) the date which falls two London 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(a)(i)) under the terms of the Covered Bond Guarantee and (ii) 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 the LLP may pay any amount representing the Final Redemption Amount on the relevant Final Maturity Date and any amount representing all or part of the Final Redemption Amount due and remaining unpaid on the earlier of (i) and (ii) above may also 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 four (4) London Business Days prior to the Final Maturity Date of a Series of Covered Bonds whether (x) 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 (y) 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 dates specified in (i) and (ii) 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 such circumstances, the LLP shall on the earlier of (i) the date falling two (2) London Business Days after the service of a 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(a)(i)) and (ii) the Extension Determination Date, under the Covered Bond Guarantee, apply the monies (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the Guarantee Priority of Payments) *pro rata* in part payment of an amount equal to the Final Redemption Amount of each Covered Bond of the relevant Series of Covered Bonds and shall pay Guaranteed Amounts constituting the Scheduled Interest in respect of each such Covered Bond on such date. The obligation of the LLP to pay any amounts in respect of the balance of the Final Redemption Amount not so paid shall be deferred as described above. Such failure to pay by the LLP shall not constitute an LLP Event of Default.

Any discharge of the obligations of the Issuer as the result of the payment of Excess Proceeds to the Bond Trustee shall be disregarded for the purposes of determining the amounts to be paid by the LLP under the Covered Bond Guarantee in connection with this Condition 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 Extension Determination Date;

Extension Determination Date means, in respect of a Series of Covered Bonds, the date falling two (2) London Business Days after the expiry of seven (7) days starting on (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 (to the extent maintained, or otherwise the Deposit Account) to be paid on each LLP Payment Date in accordance with the Trust Deed; and

Rating Agency means any one of Moody's Investors Service Limited, Fitch Ratings Ltd. (together, the **Rating Agencies**) or their successors, to the extent they provide ratings in respect of the Covered Bonds.

(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 thirty (30) nor more than sixty (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 Interest Payment Date, 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 Issuer Call is specified in the applicable Final Terms, the Issuer may, having given not less than thirty (30) nor more than sixty (60) 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 Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of 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 sixty (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 thirty (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 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 thirty (30) days prior to the Selection Date.

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

If Investor Put is specified as being applicable in the Final Terms, upon the holder of any Covered Bond giving the Issuer not less than thirty (30) nor more than sixty (60) days' written notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Covered Bond on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

To exercise the right to require redemption of a Covered Bond the holder thereof must, if the Covered Bond is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise 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 required to be made by cheque, an address) to which payment is to be made under this Condition 6(d) accompanied by this Covered Bond or evidence satisfactory to the Paying Agent concerned that this Covered Bond will, following delivery of the Put Notice, be held to its order or under its control. If this Covered Bond is represented by a Global Covered Bond or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Covered Bond the holder of this Covered Bond must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg, (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg, or any common depository or common safekeeper, as the case may be, for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Covered Bond is represented by a Global Covered Bond, at the same time present or procure the presentation of the relevant Global Covered Bond to the Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg, given by a holder of any Covered Bond pursuant to this Condition 6(d) shall be irrevocable except where, prior to the due date of redemption, an Issuer Event of Default or an LLP Event of Default has occurred and is continuing and the Bond Trustee has declared the Covered Bonds to be due and payable pursuant to Condition 9, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6 and instead request or direct the Bond Trustee to declare such Covered Bond forthwith due and payable pursuant to Condition 9.

(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 thirty (30) nor more than sixty (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) 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) 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 twelve (12) months of thirty (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, 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 in full will forthwith be cancelled (together with, in the case of Bearer Definitive Covered Bonds, 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, 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 Condition 6(a), (b) or (c) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused or default is otherwise made in the payment thereof, 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 Condition 6(b) and 6(e)

Prior to the publication of any notice of redemption pursuant to Condition 6(b) or (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 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:

(a) presented for payment in the United Kingdom; or

(b) held 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) presented for payment more than thirty (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 thirty (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 ten (10) years (in the case of principal) and five (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% 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 Principal Amount Outstanding 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 the Covered Bondholders shall, (but in the case of the happening of any of the events mentioned in subparagraphs (ii) or (iv), only if the Bond Trustee shall have certified in writing that such condition, event or act is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series, provided that a breach of any obligation to provide notices, reports or other information under the RCB Regulations and/or the RCB Sourcebook shall not be considered materially prejudicial to the interests of the Covered Bondholders of any Series by the Bond Trustee) (subject in each case to being indemnified and/or secured 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, as 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) if default is made by the Issuer in payment of any interest or principal due in respect of the Covered Bonds of any Series or any of them and such default continues for a period of fourteen (14) days or more (in the case of interest) or seven days or more (in the case of principal); or

(ii) if the Issuer fails to perform or observe any of its other 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 any 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 a period of thirty (30) days (or such longer period as the Bond Trustee may permit) 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 order is made or an effective resolution is passed for the winding-up of the Issuer (otherwise than for the purposes of a reconstruction or amalgamation, on terms previously approved in writing by the Bond Trustee or by an Extraordinary Resolution of all the Covered Bondholders); or

(iv) if the authorisation or registration of the Issuer to accept deposits under Part IV of the FSMA is or is proposed to be cancelled, suspended or revoked or anything analogous or similar to any of the foregoing occurs; or

(v) if an Asset Coverage Test Breach Notice has been served and remains outstanding (in accordance with the terms of the Transaction Documents) on the third Calculation Date after service of such Asset Coverage Test Breach Notice on the LLP; or

(vi) the Issuer shall be unable to pay its debts as they fall due (within the meaning of Section 23(1)(b) to (e) and Section 123(2) of the Insolvency Act (as those sections may be amended)) or shall admit inability to pay its debts as they fall due or shall stop making payment in respect of any debts that are due (save, in the case of stopping making payments, in each case in respect of any obligation for the payment of principal or interest in respect of the Covered Bonds of any Series) or shall be adjudged or found bankrupt or insolvent.

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 or other action against the Issuer in accordance with 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 as Available Principal Receipts 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 payment 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% 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 Principal Amount Outstanding 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 the Covered Bondholders shall, (subject in each case to being indemnified and/or secured to its satisfaction), but in the case of the happening of any of the events described in paragraphs (ii) or (vi) below, only if the Bond Trustee shall have certified in writing to the Issuer and the LLP that such condition, event or act is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series (provided that a breach of any obligation to provide notices, reports or other information under the RCB Regulations and/or the RCB Sourcebook shall not be considered materially prejudicial to the interests of the Covered Bondholders of any Series by the Bond Trustee), give notice (the **LLP Acceleration Notice**) in writing to the Issuer and to the LLP, that (x) each Covered Bond of each Series is, and each Covered Bond of each Series shall as against the Issuer (if not already due and repayable against it following an Issuer Event of Default), thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest and (y) all amounts payable by the LLP under the Covered Bond Guarantee shall thereupon immediately become due and payable at the Guaranteed Amount corresponding to the Early Redemption Amount for each Covered Bond of each Series together with accrued interest, in each case as provided in the Trust Deed and thereafter the Security shall become enforceable if any of the following events (each an **LLP Event of Default**) shall occur and be continuing:

(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 other 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 (other than the Programme Agreement or any Subscription Agreement) 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 thirty (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) if the LLP ceases or threatens to cease to carry on its business or substantially the whole of its business; or

(iv) 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

(v) proceedings are initiated against the LLP under any applicable liquidation, winding up, insolvency, bankruptcy, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition or the filing of documents with a court or any registrar for its winding-up, administration or dissolution or the giving notice of the intention to appoint an administrator (whether out of court or otherwise)); or a receiver and/or manager, administrative receiver, administrator, trustee or other similar official shall be appointed (whether out of court or otherwise) in relation to the LLP or in relation to the whole or any part of its assets, or a distress, diligence or execution or other process shall be levied or enforced upon or sued out against the whole or any part of its assets, or if the LLP shall initiate or consent to judicial proceedings relating to itself under any applicable liquidation, winding up,

insolvency, bankruptcy, composition, reorganisation or other similar laws or shall make a conveyance, assignment or assignation for the benefit of, or shall enter into any composition with, its creditors generally; or

(vi) a failure to satisfy the Amortisation Test (as set out in the LLP Deed) on any Calculation Date following an Issuer Event of Default; or

(vii) 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 second paragraphs, respectively, of Condition 9(c) and the Covered Bondholders shall have a claim against the LLP, under the Covered Bond Guarantee, for an amount equal to the Early Redemption Amount together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable under Condition 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 or other 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 and the Coupons and any other Transaction Document, but it shall not be bound to take any such enforcement proceedings or other action 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 the Covered Bondholders of all Series then outstanding (with the Covered Bonds of all Series taken together as a single Series and converted into Sterling at the relevant Covered Bond Swap Rate as aforesaid) or so requested in writing by the holders of not less than 25% of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (with the Covered Bonds of all Series taken together as a single Series and converted into Sterling at the relevant Covered Bond Swap Rate as aforesaid) and (ii) it shall have been indemnified and/or secured 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 equally and shall not have regard to the interests of any other Secured Creditors.

The Bond Trustee may at any time, at its discretion and without further notice, direct the Security Trustee to take such steps or proceedings against 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 and may, at any time after the Security has become enforceable, direct the Security Trustee to take such steps as it may think fit to enforce the Security, but it shall not be bound to give any such direction and the Security Trustee shall not be bound to take any such steps or proceedings unless (i) the Bond Trustee shall have been so directed by an Extraordinary Resolution of the Covered Bondholders of all Series then outstanding (with the Covered Bonds of all Series taken together as a single Series and converted into Sterling at the relevant Covered Bond Swap Rate as aforesaid) or so requested in writing by the holders of not less than 25% of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (with the Covered Bonds of all Series taken together as a single Series and converted into Sterling at the relevant Covered Bond Swap Rate as aforesaid); and (ii) each of the Bond Trustee and Security Trustee shall have been indemnified and/or secured to its

satisfaction. In exercising any of its powers, trusts, authorities and discretions under this paragraph each of the Bond Trustee and the Security Trustee shall only have regard to the interests of the Covered Bondholders of all Series equally and shall not have regard to the interests of any other Secured Creditors.

No Covered Bondholder or Couponholder shall be entitled to proceed directly against the Issuer or the LLP or to take any action with respect to the Trust Deed, the Covered Bonds, the Coupons, or the Security unless the Bond Trustee or the Security Trustee, as applicable, having become bound so to proceed, fails so to do within a reasonable time and such failure shall be continuing.

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

The names of the initial Principal Paying Agent, the other initial Paying Agents, the initial Registrar, the initial Transfer 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 or the Registrar and/or appoint additional or other Paying Agents or the Registrar and/or approve any change in the specified office through which any Paying Agent or the Registrar acts, provided that:

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

(b) so long as any of the Covered Bonds are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Covered Bonds) and a Transfer Agent (in the case of Registered Covered Bonds) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or as the case may be, other relevant authority.

In addition, the Issuer shall, when necessary 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 Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Bearer Covered Bonds are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers or where published in such newspapers on different dates, the last date of such first publication.

All notices regarding the Registered Covered Bonds will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Covered Bonds are listed, quoted or traded on a stock exchange or are admitted to listing by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

So long as the Covered Bonds are represented in their entirety by any Global Covered Bonds held on behalf of Euroclear and/or Clearstream, Luxembourg, there may be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the Covered Bondholders and, in addition, for so long as any Covered Bonds are listed on a stock exchange or admitted to listing by any other relevant authority and the rules of the stock exchange, or as the case may be, other relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange or, as the case may be, or any other relevant authority. Any such notice shall be deemed to have been given to the Covered Bondholders on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

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

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 manifest error or to comply with any mandatory provisions of law.

The Trust Deed contains provisions for convening meetings of the Covered Bondholders of any Series to consider any matter affecting their interests, including, without limitation, the modification by Extraordinary Resolution of these Conditions, the N Covered Bond Conditions applicable to a particular Series of Covered Bonds or the provisions of the Trust Deed. The quorum at any such meeting in respect of the 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 of such Series whatever the Principal Amount Outstanding of the Covered Bonds of such Series so held or represented, except that at any meeting the business of which includes any Series Reserved Matter, the quorum shall be one or more persons holding or representing not less than two-thirds of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Covered Bondholders of a Series shall, subject as provided below, be binding on all the Covered Bondholders of such Series, whether or not they are present at the meeting, and on all Couponholders in respect of such Series of Covered Bonds. Pursuant to the Trust Deed, the Bond Trustee may convene a single meeting of the holders of Covered Bonds of more than one Series if in the opinion of the Bond Trustee there is no conflict between the respective interests of 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(a) or to give an LLP Acceleration Notice pursuant to Condition 9(b) (Events of Default and Enforcement) or to direct the Bond Trustee or the Security Trustee to take any enforcement action or to direct the Bond Trustee to determine that any Issuer Event of Default, Potential Issuer Event of Default, LLP Event of Default or Potential LLP Event of Default shall not be treated as such for the purposes of the Trust Deed (each, together with certain other Extraordinary Resolutions specified in the Trust Deed, 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 Principal Amount Outstanding 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 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 Principal Amount Outstanding of the Covered Bonds of any Series not denominated in Sterling shall be converted into Sterling at the relevant Covered Bond Swap Rate.

The Bond Trustee may in the case of (a) and (b) below, and shall in the case of (c) and (d) below, without the consent of the Covered Bondholders, or Couponholders of any Series and without the consent of the other Secured Creditors concur with the Issuer, the LLP or any other party or direct the Security Trustee to concur with the Issuer, the LLP or any other party in making:

(a) any modification (other than in relation to a Series Reserved Matter) 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 the Covered Bondholders of any Series; or

(b) any modification of the Covered Bonds of any one or more Series, the related Coupons or any Transaction Document which is, 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; or

(c) any modifications as requested by the Issuer and/or the LLP in order to enable the Issuer and/or the LLP and/or a Swap Provider to comply with any requirements which apply to it under Regulation (EU) 648/2012 (the **European Market Infrastructures Regulation** or **EMIR**) in accordance with the terms of the Trust Deed and in particular, subject to receipt by the Bond Trustee of a certificate signed by an authorised signatory of the Issuer and a certificate signed by an authorised signatory of a Designated Member of the LLP (upon which certificate the Bond Trustee shall be entitled to rely without further enquiry and without liability) certifying to the Bond Trustee that the requested amendments to be made are solely for the purpose of enabling the Issuer and/or the LLP and/or a Swap Provider to satisfy any requirements which apply to any of them under EMIR; or

(d) any modification (other than in respect of a Series Reserved Matter, provided that a Base Rate Modification (as defined below) will not constitute a Series Reserved Matter) to 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 LIBOR, EURIBOR 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 as are necessary or advisable in the reasonable judgment of the Issuer to facilitate such change (a **Base Rate Modification**), provided that:

(i) the Issuer certifies to the Bond Trustee in writing (such certificate, a **Base Rate Modification Certificate**) that:

(A) such Base Rate Modification is being undertaken due to:

I. 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;

II. 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;

III. 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;

IV. 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

V. the reasonable expectation of the Issuer that any of the events specified in sub-paragraphs (I), (II), (III) or (IV) will occur or exist within six (6) months of the proposed effective date of such Base Rate Modification,

and, in each case, has been drafted solely to such effect; and

(B) such Alternative Base Rate is:

I. 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

II. in relation to LIBOR, the Sterling Over Night Index Average (or any rate which is derived from, based upon or otherwise similar to either of the foregoing); or

III. a base rate utilised in a material number of publicly listed new issues of floating rate covered bonds or floating rate senior unsecured notes prior to the effective date of such Base Rate Modification (for these purposes, unless agreed otherwise by the Bond Trustee, five (5) such issues shall be considered material); or

IV. a base rate utilised in a publicly listed new issue of floating rate covered bonds where the issuer (or, in the case of asset backed securities, the originator of the relevant assets) is the Issuer or an Affiliate of the Issuer;

(C) at least thirty (30) days' prior written notice of any Base Rate Modification has been given to the Bond Trustee;

(D) the Base Rate Modification Certificate is provided to the Bond Trustee both at the time the Bond Trustee is notified of the Base Rate Modification and on the effective date of such Base Rate Modification;

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

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; or

II. the Issuer certifies in writing to the Bond 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);

(F) the Issuer pays (or arranges for the payment of) all properly incurred 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;

(G) the Issuer has provided at least thirty (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% 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 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% 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 accordance with the then current practice of any applicable Clearing System through which the Covered Bonds may be held by the time specified in such notice that such Covered Bondholders do not consent to the Base Rate Modification, then the

Base Rate Modification will not be made unless an Extraordinary Resolution of the Covered Bondholders of the relevant Series then outstanding is passed in favour of the Base Rate Modification in accordance with Condition 14 (Meetings of holders of the Covered Bonds, Modification, Waiver and Substitution).

(ii) When implementing any modification pursuant to Condition 14(d):

(A) (save to the extent the Bond Trustee considers that the proposed modification would constitute a Series Reserved Matter, provided that a Base Rate Modification will not constitute a Series Reserved Matter), the Bond Trustee shall not consider the interests of the Covered Bondholders, any other Secured Creditor or any other person and shall act and rely solely and without investigation or liability on any Base Rate Modification Certificate or other certificate or evidence provided to it by the Issuer and shall not be liable to the Covered Bondholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and

(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.

Notwithstanding the above:

(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 manifest error or to comply with any mandatory provisions of law;

(ii) the Bond Trustee shall 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 concur, or direct the Security Trustee to concur, with the Issuer and the LLP in making any modifications to the Trust Deed, the Transaction Documents and/or the Conditions to enable the Covered Bonds of any Series issued under the Programme to qualify as regulated covered bonds under the RCB Regulations or any replacement or amended regulations, subject to receipt by the Bond Trustee of a certificate signed by two (2) directors of the Issuer and a certificate of a Designated Member of the LLP, each certifying to the Bond Trustee (A) that the requested amendments are to be made solely for the purpose of enabling the relevant Covered Bonds to qualify as regulated covered bonds under the RCB Regulations or any replacement or amended regulations and (B) that the requested amendments are not, in the opinion of the Issuer or the LLP, materially prejudicial to the interests of the

Covered Bondholders of any Series or any other Secured Creditor (the **RCB Certificate**);

(iii) prior consent of the Bond Trustee, the Security Trustee and the other Secured Creditors shall not be required and will not be obtained in relation to the accession of any replacement Account Bank, Swap Collateral Account Bank, any additional Account Bank, any additional Collateral Account Bank or any additional Swap Collateral Account Bank and the Bond Trustee shall be obliged to concur in and to effect, and to direct the Security Trustee to concur in and to effect, any modifications to the Transaction Documents that are requested by the LLP or the Cash Manager to accommodate the accession of a replacement Account Bank, additional Account Bank, Swap Collateral Account Bank and/or the additional Swap Collateral Account Bank to the Programme, provided that (A) the LLP or the Cash Manager, as the case may be, has certified to the Security Trustee and the Bond Trustee in writing that such modifications are required in order to accommodate the addition of a replacement Account Bank, additional Account Bank, Swap Collateral Account Bank and/or the additional Swap Collateral Account Bank to the Programme and (B) all other conditions precedent to the accession of a replacement Account Bank, additional Account Bank, Swap Collateral Account Bank and/or additional Swap Collateral Account Bank to the Programme set out in the Deed of Charge have been satisfied at the time of the accession;

(iv) the prior consent of the Bond Trustee, the Security Trustee and the other Secured Creditors will not be required and will not be obtained in relation to the accession of any New Seller to the Programme and the Bond Trustee shall be obliged to concur in and to effect, and to direct the Security Trustee to concur in and to effect, any modifications to the Transaction Documents that are requested by the LLP or the Cash Manager to accommodate the accession of a New Seller to the Programme, provided that (A) the LLP or the Cash Manager, as the case may be, has certified to the Security Trustee and the Bond Trustee in writing that such modifications are required in order to accommodate the addition of a New Seller to the Programme and (B) all other conditions precedent to the accession of a New Seller to the Programme set out in the Programme Agreement and the Mortgage Sale Agreement have been satisfied at the time of the accession

(v) the prior consent of the Secured Creditors (other than the Bond Trustee and Security Trustee) will not be required and will not be obtained in relation to any modifications to a Swap Agreement requested by the LLP or the relevant Swap Provider to reflect updated or new Fitch Criteria or Moody's Criteria (the **New Rating Criteria**) and the Bond Trustee shall be obliged to concur in and to effect, and to direct the Security Trustee to concur in and to effect, any modifications to a Swap Agreement that are requested by the LLP or a relevant Swap Provider to modify the relevant Swap Agreement to reflect the New Rating Criteria, provided that the conditions precedent to making of such amendments as set out in the relevant Swap Agreement have been satisfied immediately prior to the date on which it is proposed that the amendments are effected. This Condition 14(d)(v) will not apply in respect of a Swap Agreement that does not expressly provide for updates to such Swap Agreement for New Rating Criteria;

(vi) the prior consent of the Secured Creditors will not be required and will not be obtained to effect any waiver of or modifications to any provision(s) of a Swap Agreement as will result in the rating of the Covered Bonds by Fitch, following the occurrence of a Fitch Rating Event, being maintained at, or restored to, the level at

which it was immediately prior to the occurrence of a Fitch Rating Event (each a **Fitch Cure Event**) and the Bond Trustee shall be obliged to concur in and to effect, and to direct the Security Trustee to concur in and to effect, any waiver of or modifications to any provision(s) of a Swap Agreement to implement a Fitch Cure Event provided that the relevant Swap Provider, the LLP or the Cash Manager, as the case may be, has certified to the Security Trustee and the Bond Trustee in writing that such modifications are required in order to accommodate the Fitch Cure Event;

(vii) subject to the provision of the RCB Certificate to the Bond Trustee and subject as provided in paragraph (viii) below, the Bond Trustee shall be bound to concur, or to direct the Security Trustee to concur, with the Issuer and the LLP and any other party in making any of the above-mentioned modifications if it is (A) so directed by Extraordinary Resolution of the Covered Bondholders of the relevant one or more Series (with the Covered Bonds of all such Series taken together as a single Series in the circumstances provided in the Trust Deed and, if applicable, converted into Sterling at the relevant Covered Bond Swap Rate) or (B) requested to do so in writing by the holders of not less than 25% of the Principal Amount Outstanding of the Covered Bonds of the relevant one or more Series (with the Covered Bonds of all such Series taken together as a single Series in the circumstances provided in the Trust Deed and, if applicable, converted into Sterling at the relevant Covered Bond Swap Rate);

(viii) the prior consent of the Bond Trustee, the Security Trustee and the other Secured Creditors will not be required and will not be obtained to effect any waiver of or modifications to any provision(s) of a Swap Agreement as will result in the rating of the Covered Bonds by Moody's, following the occurrence of a Moody's Rating Event, being maintained at, or restored to, the level at which it was immediately prior to the occurrence of a Moody's Rating Event (each a **Moody's Cure Event**) and the Bond Trustee shall be obliged to concur in and to effect, and to direct the Security Trustee to concur in and to effect, any waiver of or modifications to any provision(s) of a Swap Agreement to implement a Moody's Cure Event provided that the relevant Swap Provider, the LLP or the Cash Manager, as the case may be, has certified to the Security Trustee and the Bond Trustee in writing that such modifications are required in order to accommodate the Moody's Cure Event; and

(ix) the Bond Trustee and the Security Trustee shall not be obliged to agree to any amendment, 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 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 or the Security Trustee, as applicable, in the Trust Deed, the other Transaction Documents and/or the Conditions.

The Bond Trustee may without the consent of any of the Covered Bondholders of any Series or the related Couponholders and without prejudice to its rights in respect of any subsequent breach, Issuer Event of Default, Potential Issuer Event of Default, LLP Event of Default or Potential LLP Event of Default from time to time and at any time but only if in so far as in its opinion the interests of the Covered Bondholders of any Series shall not be materially prejudiced thereby, waive or authorise, or direct the Security Trustee to waive or authorise, any breach or proposed breach by the Issuer or the LLP or any other person of any of the covenants or provisions contained in the Trust Deed, the other Transaction Documents or the Conditions or determine that any Issuer Event of Default, Potential Issuer Event of Default,

LLP Event of Default or Potential LLP Event of Default shall not be treated as such for the purposes of the Trust Deed, PROVIDED ALWAYS THAT the Bond Trustee shall not exercise any powers conferred on it in contravention of any express direction given by Extraordinary Resolution or by a request under Condition 9(a) or 9(b) (Events of Default and Enforcement) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made. Any such waiver, authorisation or determination may be given or made on such terms and subject to such conditions (if any) as the Bond Trustee may determine.

Subject as provided below, the Bond Trustee shall be bound to waive or authorise, or direct the Security Trustee to waive or authorise, any breach or proposed breach by the Issuer or the LLP or any other person of any of the covenants or provisions contained in the Trust Deed, the other Transaction Documents or the Conditions or determine that any Issuer Event of Default, Potential Issuer Event of Default, LLP Event of Default or Potential LLP Event of Default shall not be treated as such for the purposes of the Trust Deed if it is: (A) in the case of any such waiver or authorisation, (I) so directed by Extraordinary Resolution of the Covered Bondholders of the relevant one or more Series (with the Covered Bonds of all such Series taken together as a single Series in the circumstances provided in the Trust Deed and, if applicable, converted into Sterling at the relevant Covered Bond Swap Rate) or (II) requested to do so in writing by the holders of not less than twenty-five per cent. of the Principal Amount Outstanding of the Covered Bonds of the relevant one or more Series (with the Covered Bonds of all such Series taken together as a single Series in the circumstances provided in the Trust Deed and, if applicable, converted into Sterling at the relevant Covered Bond Swap Rate) or (B), in the case of any such determination, (I) so directed by an Extraordinary Resolution of the Covered Bondholders of all Series then outstanding (with the Covered Bonds of all Series taken together as a single Series and, if applicable, converted into Sterling at the relevant Covered Bond Swap Rate) or (II) requested to do so in writing by the holders of not less than twenty-five per cent. of the Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (with the Covered Bonds of all Series taken together as a single Series and, if applicable, converted into Sterling as aforesaid), and at all times then only if it shall be indemnified and/or secured and/or pre-funded to its satisfaction against all liabilities to which it may thereby render itself liable or which it may incur by so doing.

The Security Trustee may, without the consent of the Secured Creditors (other than any Secured Creditor who is a party to the relevant document) and without prejudice to its right in respect of any further or other breach, from time to time and at any time, but 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, modify, or authorise or waive any proposed or actual breach of, any of the covenants or provisions contained in the Deed of Charge or any other Transaction Document.

Prior to the Bond Trustee making or granting any modification, waiver, authorisation or determination pursuant to this Condition 14, the Issuer must send written confirmation to the Bond Trustee or, as the case may be, the Security Trustee that any such modification, waiver, authorisation or determination would not result in a breach of the RCB Regulations and that either:

(a) any such modification, waiver, authorisation or determination would not require notification in accordance with Regulation 20 of the RCB Regulations; or

(b) if such modification, waiver, authorisation or determination would require notification in accordance with Regulation 20 of the RCB Regulations, the Issuer has

provided all information required to be provided to the FCA and it 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 for the time being outstanding, the related Couponholders and the other Secured Creditors, and unless the Bond Trustee otherwise agrees, any such modification shall be notified by the Issuer to the Covered Bondholders of all Series for the time being outstanding in accordance with Condition 13 (Notices) and the other Secured Creditors 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 modification, waiver, authorisation or determination), 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 or the related Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Bond Trustee and the Security Trustee shall not be entitled to require, nor shall any Covered Bondholder or Couponholder be entitled to claim, from the Issuer, the LLP, the Bond Trustee, the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Covered Bondholders, and/or Couponholders, except to the extent already provided for in Condition 7 of these Conditions or the relevant Condition of any set of N Covered Bond Conditions and/or in any undertaking or covenant given in addition to, or in substitution for, Condition 7 of these Conditions or the relevant Condition of any set of N Covered Bond Conditions pursuant to the Trust Deed.

Substitution

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 of any Series, may agree, without the consent of the Covered Bondholders or Couponholders, to the substitution of a Subsidiary of the Issuer or a Successor in Business in place of the Issuer as principal debtor under the Covered Bonds and the Trust Deed.

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 by the Issuer to the Covered Bondholders as soon as practicable thereafter in accordance with Condition 13 (Notices).

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

(a) 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 which is proposed to be substituted for the Issuer as principal debtor under the Covered Bonds and the Trust Deed; and

(b) any Successor in Business or any Subsidiary of the Issuer 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.

Rating Agencies

If:

(a) a confirmation or affirmation 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 Seller, the Cash Manager, the Servicer, the Bond Trustee and/or the Security Trustee, as applicable (each a **Requesting Party**) and one or more of the Rating Agencies (each a **Non-Responsive Rating Agency**) indicates that it does not consider such confirmation, affirmation or response necessary in the circumstances,

the Requesting Party shall be entitled to disregard the requirement for a confirmation or affirmation of rating or other response by each Non-Responsive Rating Agency and proceed on the basis of the confirmations or affirmations of rating or other responses received by each other Rating Agency or, if all the Rating Agencies indicate that they do not consider such a confirmation or affirmation of rating or other response necessary in the circumstances, on the basis that such confirmation or affirmation of rating or other response by a Rating Agency is not required in the particular circumstances of the request.

If a Rating Agency does not respond to a written request for a confirmation or affirmation such non response shall not be interpreted to mean that such Rating Agency has given any deemed confirmation or affirmation of rating or other response in respect of such action or step or any deemed indication that it does not consider such confirmation, affirmation or response necessary in the circumstances.

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 any entity which (a) acquires all or substantially all of the undertaking and/or assets of the Issuer or (b) acquires the beneficial ownership of the whole of the issued voting stock and/or share capital of the Issuer or (c) into which the Issuer is amalgamated, merged or reconstructed and where the Issuer is not the continuing company; and

Series Reserved Matter in relation to Covered Bonds of a Series means: (a) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds; (b) alteration of the currency in which payments under the Covered Bonds and Coupons are to be made; (c) alteration of the quorum or 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 Covered Bondholders of any Series); (e) except in accordance with this 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 (f) alteration of the definitions in or proviso to paragraph 5 or paragraph 6 of Schedule 4 to the Trust Deed.

15. Indemnification of the Bond Trustee and the Security Trustee and the Bond Trustee and Security Trustee Contracting with the Issuer and/or the LLP

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 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*: (a) 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; (b) 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 (c) 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 whether or not on behalf of the Bond Trustee and/or the Security Trustee. Neither the Bond Trustee nor the Security Trustee will be responsible for *inter alia*: (a) 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; (b) 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; (c) monitoring the Portfolio, including, without limitation, whether the Portfolio is in compliance with the Asset Coverage Test or the Amortisation Test; or (d) 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.

16. 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.

17. 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 Covered Bond Guarantee 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.

The Secured Creditors have agreed in the Deed of Charge that all obligations of the LLP to them will be limited in recourse to the Charged Property and have further agreed that only the Security Trustee can enforce the Security created by the LLP.

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.

19. Governing Law

The Trust Deed (including the Covered Bond Guarantee), the Agency 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 documents to be granted pursuant to the Deed of Charge) and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law unless specifically stated to the contrary. Certain provisions of the Mortgage Sale Agreement will be construed in accordance with Scots law and 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.

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

(ii) if an existing Series or Tranche, or part of an existing Series or Tranche, 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; and/or

(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 Deposit Account (including, without limitation, to fund the Reserve Fund to an amount not exceeding the prescribed limit).

NATIONAL WESTMINSTER BANK PLC

NatWest performs various roles under the Programme, including those of the Issuer, the Seller, the Servicer, the Cash Manager, an Interest Rate Swap Provider and a Covered Bond Swap Provider, and is a Member of the LLP. NatWest's registered office is at 250 Bishopsgate, London EC2M 4AA.

NatWest was incorporated in England and Wales as a public limited company on 18 March 1968. Its registered number is 00929027.

Legal Proceedings

For a description of the governmental, legal or arbitration proceedings that NatWest and the NatWest Group face, see the section entitled "Litigation, investigations and reviews" in the "Notes on the accounts" at pages 122 to 131 of the 2018 Issuer Annual Report and Accounts as incorporated by reference into this Prospectus, as set out in "Documents Incorporated by Reference" section.

Directors and Corporate Governance

The directors and the secretary of NatWest, whose business address is 250 Bishopsgate, London EC2M 4AA, their functions within the NatWest Group and their principal activities outside the NatWest Group (if any) of significance to the NatWest Group are as follows:

Name	Functions within the NatWest Group	Principal outside activity (if any) of significance to the NatWest Group
Chairman		
Howard Davies	Chairman	Currently serves as independent director of Prudential plc, chair of the Risk Committee and member of the Audit and Nominations & Governance Committees, member of the Regulatory and Compliance Advisory Board of Millennium Management LLC, Chair of the International Advisory Council of the China Securities Regulatory Commission and Member of the International Advisory Council of the China Banking Regulatory Commission. Was Deputy Governor of the Bank of England from 1995 to 1997 and Chairman of the UK Financial Services Authority from 1997 to 2003. Howard was Director of the London School of Economics and Political Science from 2003 until May 2011. He is also Professor of Practice at the Paris Institute of Political Science (Sciences Po). Howard was chair of the UK Airports Commission between 2012 and 2015 and is also the author of several books on financial subjects.
Executive Directors		

Name	Functions within the NatWest Group	Principal outside activity (if any) of significance to the NatWest Group
Ross McEwan	Chief Executive	Formerly group executive for Retail Banking Services and an executive general manager at Commonwealth Bank of Australia. He was previously managing director of First NZ Capital Securities and prior to that was chief executive of National Mutual Life Association of Australasia Ltd/AXA New Zealand Ltd.
Katie Murray	Chief Financial Officer	Katie joined RBS as Director of Finance in November 2015 and was appointed as Deputy Chief Financial Officer in March 2017. Katie has worked in Finance and Accounting for nearly 30 years with experience in capital management, investor relations, financial planning and all areas of financial services. Previously the Group Finance Director for Old Mutual Emerging Markets, based in Johannesburg from 2011 to 2015, having held various roles in Old Mutual from 2002. Prior to this Katie worked at KPMG for 13 years.
Alison Rose	Deputy Chief Executive Officer	Currently CEO of the NatWest Corporate, Commercial & Private Banking business and a director of Coutts & Company. She is also a member of the RBS Executive Committee. Prior to her current role she was Head of Europe, Middle East and Africa, Markets & International Banking. Alison is also non-executive Director of Great Portland Estates and member of the Audit, Nominations and Remuneration Committees.
Non-Executive Directors		
Francesca Barnes	-	Currently serves as a non-executive director of Coutts & Company, as well as a non-executive director of Harbourvest Global Private Equity and Capvis Private Equity. Currently Chair of Trustees for Penny Brohn UK and a trustee of the University of Southampton. Francesca held a number of senior roles within UBS Investment Bank including Global Head of Private Equity; Head of Strategy and Development; Global Loan Portfolio Manager and Chair of the UBSIB Development Board. Francesca started her career at Chase Manhattan Bank.

Name	Functions within the NatWest Group	Principal outside activity (if any) of significance to the NatWest Group
Graham Beale	-	Previously Chief Executive Officer of Nationwide Building Society, from April 2007 to April 2016. Prior to that, he was the Nationwide Group Finance Director from 2003 to 2007. Previously a member of the boards of VISA Europe Limited from 2007 to 2011 and the British Bankers' Association from 2014 to 2016. He was also Chair (2013 – 2015) and member of the Financial Conduct Authority Practitioners Panel from 2011 to 2016 and Chair (2009 - 2010) and a member of the board of the Building Societies Association from 2007 to 2016.
Ian Cormack	-	Currently a non-executive director of Just Group plc. Ian has previously been the senior independent director of Phoenix Group Holdings plc, Partnership Assurance Group Limited (formerly Partnership Assurance Group plc) and Bloomsbury Publishing plc. Prior to these appointments, he was also a director of Aspen Insurance Holdings Limited (Bermuda), the Qatar Financial Centre Authority and non-executive director of Xchanging Limited (formerly Xchanging plc). Previously non-executive director of Hastings Group Holdings plc and Chairman of Maven Income & Growth VCT 4 plc. Ian previously spent thirty years with Citibank/Citigroup where he occupied a number of senior positions. He was on the British Bankers' Association Council, the London Stock Exchange Settlement Board, the Chancellor's City Advisory Panel and was Chairman of the CHAPS payments system. He was chief executive of AIG's insurance, financial services and asset management business in Europe between 2000 and 2002 and was on the board of Luxembourg based bond clearing house CEDEL.

Name	Functions within the NatWest Group	Principal outside activity (if any) of significance to the NatWest Group
Alison Davis	-	Currently non-executive director and member of the audit committee of Fiserv Inc. and non-executive director and chair of the audit committee of Ooma Inc. Former director of City National Bank, First Data Corporation, Xoom, Presidio Bank and Diamond Foods. Previously non-executive director and chair of the board of LECG Corporation. Former Chief Financial Officer of Barclays Global Investors (now Blackrock) and managing partner of Belvedere Capital. Alison previously served as non-executive director and member of the audit and compensation committees of Unisys Corporation.
Patrick Flynn	-	Former Chief Financial Officer and member of the Executive Board of ING Group from April 2009 to May 2017. Previously Chief Financial Officer of HSBC Insurance from 2007 to 2009 and prior to that, from 2002 to 2007, was Chief Financial Officer of HSBC South America based in Brazil. Patrick is also a non-executive director of Aviva plc, and a member of the board audit, risk and nomination committees. Patrick is a Chartered Accountant; a Fellow of the Institute of Chartered Accountants Ireland; and a member of the Association of Corporate Treasurers in the UK.
Morten Friis	-	Currently a director of the Harvard Business School Club of Toronto and the Canadian Institute for Advanced Research and a non-executive director of Jackson National Life Insurance Company. Held various roles at Royal Bank of Canada and its subsidiaries including Associate Director at Orion Royal Bank, Vice President, Business Banking and Vice President, Financial Institutions. In 1997, he was appointed as Senior Vice President, Group Risk Management and served as the Chief Credit Officer then Chief Risk Officer from 2004 to 2014. Formerly a director of RBC Bank (USA), RBC Dexia Investor Services Trust Company, RBC Life Insurance Company and Westbury Life Insurance Company.

Name	Functions within the NatWest Group	Principal outside activity (if any) of significance to the NatWest Group
Robert Gillespie	-	Currently an independent board director at Ashurst LLP, Chairman of the Boat Race Company Limited and Director of Social Finance Limited. Robert is a Professor of Practice at Durham University Business School. Previously Chairman of Somerset House Trust. Formerly Director General of the UK Panel on Takeovers and Mergers from 2010 to 2013, as a secondment from Evercore Partners. Former vice chairman of UBS Investment Bank, after holding a number of senior management roles in UBS.
Yasmin Jetha	-	Currently non-executive director of Guardian Media Group plc and of Nation Media Group (East Africa), and independent panel member of the Cabinet Office Major Projects Review Group. Previously a non-executive director designate of Williams & Glyn. During her executive career, Yasmin held Chief Information Officer roles at Bupa and the Financial Times, where she became the Chief Operating Officer. She previously had a career spanning nearly twenty (20) years at Abbey National PLC, latterly serving as an Executive Director on the board.
Baroness Noakes	-	Former non-executive director of Severn Trent plc, Carpetright plc, the Court of the Bank of England, Hanson, ICI, John Laing and SThree. Former partner at KPMG where she previously headed KPMG's European and International Government practices. In 2000, she was appointed to the House of Lords and served on the Conservative front bench in various roles, including as Shadow Treasury Minister between 2003 and 2010. Past President of the Institute of Chartered Accountants for England and Wales. Previously Deputy Chairman of Ofcom.
Mike Rogers	-	Currently non-executive Chairman of Aegon UK, and its subsidiaries Scottish Equitable plc and Cofunds Limited. Chairman of Experian plc and Chairman of the remuneration committee, member of the audit committee and member of the nomination and corporate governance committee.

Name	Functions within the NatWest Group	Principal outside activity (if any) of significance to the NatWest Group
		Joined Barclays in 1986 and undertook a variety of roles in the UK and overseas across business banking, wealth management and retail banking. Previously Managing Director of Small Business, Premier Banking and UK Retail Banking and was Chief Executive of Liverpool Victoria Group.
Mark Seligman	-	Currently Senior Independent Director and member of the audit committee, nomination committee and remuneration committee of Kingfisher plc. Mark is also non-executive director, Chairman of the audit committee and member of the nomination and remuneration committees of Smiths Group Plc. Previously held various senior roles at Credit Suisse/BZW (including Deputy Chairman, CSFB Europe and Chairman, UK Investment Banking, CSFB) and SG Warburg (ultimately as Managing Director, Head of Advisory). Also previously served as a non-executive director of BG Group plc and as Deputy Chairman of G4S plc.
Dr Lena Wilson	-	Currently non-executive director of Intertek Group plc, and member of its audit committee. Currently non-executive director of Scottish Power Renewables Limited. Currently visiting professor at the University of Strathclyde. Spent a significant proportion of her executive career with Scottish Enterprise, latterly as Chief Executive. Held the role of Senior Investment Advisor to The World Bank in Washington DC. Previously served as a member of Scotland's Financial Services Advisory Board and as Chair of Scotland's Energy Jobs Taskforce.
Chief Governance Officer and Board Counsel		
Aileen Taylor	Company Secretary	Currently a fellow of the Chartered Institute of Bankers in Scotland, a member of the European Corporate Governance Council and a member of the FCA's Listing Authority Advisory Panel.

The NatWest Group has procedures in place to ensure that the board's management of conflicts of interest and its powers for authorising certain conflicts are operating effectively. On appointment, each director is provided with the NatWest Group's guidelines for referring conflicts of interest to the board of directors. Each director is required to notify the board of any actual or potential situational or transactional conflict of interest and to update the board with any changes to the facts and circumstances surrounding such conflicts.

Situational conflicts can be authorised by the board of directors in accordance with the Companies Act 2006 and the Issuer's articles of association. The board of directors considers each request for authorisation on a case by case basis and has the power to impose conditions or limitations on any authorisation granted as part of the process.

Details of all directors' conflicts of interest are recorded in a register which is maintained by the Company Secretary and reviewed annually by the board of directors.

Except as recorded therein, no potential conflicts of interest have been declared between any duties to the NatWest Group or NatWest, as the case may be, of the directors listed above and their private interests and/or other duties.

As at the date of this Prospectus, NatWest's long-term unsecured, unsubordinated and unguaranteed debt obligations are rated A+ by Fitch and Aa3 by Moody's and its short-term unsecured, unsubordinated and unguaranteed debt obligations are rated F1 by Fitch and P-1 by Moody's. However, investors should be aware that these ratings do not necessarily correlate to the ratings assigned to any Series of Covered Bonds under this Programme, which ratings will be disclosed in the relevant Final Terms document.

THE LLP

Introduction

The LLP was incorporated in England and Wales on 22 October 2009 as a limited liability partnership (partnership number OC349504) with limited liability under the LLPA 2000 by RBS, NWHL and the Liquidation Member as its Members. The principal place of business of the LLP is at 1 Princes Street, London EC2R 8BP (telephone number: +44 (0) 20 7714 4461). The LLP has no subsidiaries.

On 18 April the name of the LLP was changed from RBS Covered Bonds Limited Liability Partnership to NatWest Covered Bonds Limited Liability Partnership.

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 generate profit and to do all such things as are incidental or conducive to the carrying on of that business and to borrow money.

The LLP has not engaged since its incorporation, and will not engage whilst the Covered Bonds or any Term Advance remains outstanding, in any material activities other than activities incidental to its incorporation under the LLPA 2000, activities contemplated under the Transaction Documents to which it is or will be a party, obtaining a standard licence under the Consumer Credit Act 1974, 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 and their registered offices are:

Name	*Registered Office*
NatWest	250 Bishopsgate, London EC2M 4AA, England
Liquidation Member	35 Great St. Helen's, London EC3A 6AP, England

NatWest became a member of the LLP on 1 November 2012. NWHL ceased to be a member of the LLP on 1 November 2012. RBS ceased to be a member on 30 April 2018.

The LLP has no employees.

Directors of the Members

The Directors, the Chief Governance Officer and Board Counsel and Company Secretary of NatWest are as mentioned in the section entitled "*National Westminster Bank Plc*" above.

On 18 April 2018 the name of the Liquidation Member was changed from RBS Covered Bonds (LM) Limited to NatWest Covered Bonds (LM) Limited.

The following table sets out the directors of the Liquidation Member and their respective business addresses and occupations.

Name	*Business Address*	*Business Occupation*
Intertrust Directors 1 Limited	35 Great St. Helen's, London EC3A 6AP	Director of Special Purpose Companies
Intertrust Directors 2 Limited	35 Great St. Helen's, London EC3A 6AP	Director of Special Purpose Companies
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Company Secretary

The directors of Intertrust Directors 1 Limited and Intertrust Directors 2 Limited and their principal activities or business occupations are:

Name	**Business address**	**Principal Activities**
Susan Abrahams	35 Great St. Helen's. London EC3A 6AP	Director
Neil Townson	35 Great St. Helen's. London EC3A 6AP	Director
Claudia Wallace	35 Great St. Helen's, London EC3A 6AP	Director
Paivi Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director

LLP Management Committee

The LLP Management Committee, consisting as at the date of this Prospectus of directors, officers and/or employees of NatWest and the Liquidation Member, will act on behalf of the LLP and is the body to which (other than any decision to approve the audited accounts of the LLP or to make a resolution for the voluntary winding-up of the LLP, which requires a unanimous decision of the Members) the Members have delegated 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 Security Trustee.

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

THE LOANS AND THE PORTFOLIO

The Initial Portfolio and each New Portfolio acquired or to be acquired by the LLP will consist of Loans and their Related Security sold by the Seller to the LLP from time to time, in accordance with the Mortgage Sale Agreement. See also the risk factors titled "*Limited Description of the Portfolio*" and "*Maintenance of the Portfolio*".

General

RBSG originates residential mortgages using a multi-brand, multi-channel strategy. It offers mortgages under the NatWest, RBS, Ulster Bank and Coutts in the UK. RBSG also offered residential mortgages under the First Active UK and Direct Line brands until March 2010 and under the One Account brand until April 2014. The Portfolio consists of mortgages sold under the NatWest brand only.

Certain of the Loans in the Portfolio were originated by NWHL, which was established as a dedicated mortgage lender by the National Westminster Bank Group in 1980 to provide residential mortgages within the National Westminster Bank Group. Subsequent to the acquisition of the National Westminster Bank Group in 2000 by RBSG, RBSG has continued to originate mortgages under the NatWest brand through NWHL (until 31 October 2012) and NatWest (from 1 November 2012). On 1 November 2012, the mortgage business of NWHL was transferred to NatWest and legal title to the Loans originated by NWHL was transferred to NatWest.

Origination

The Seller derived its mortgage lending business at the relevant times from the following sources:

- the RBSG branch networks throughout the United Kingdom;
- a centralised telephone-based lending operation;
- an online digital service (from April 2014); and
- intermediaries that included mortgage brokers and independent financial advisers.

As at the date of this Prospectus, the Seller continues to derive their mortgage lending business from the four (4) sources outlined above.

Characteristics of the Loans

Loan Products offered by the Seller

The Portfolio comprises traditional buy-to-let residential mortgage loans and residential mortgage loans originated and administered by the Seller.

The Seller offers a variety of mortgage products, which, in each case, may comprise one or more of the following:

Variable Rate Loans

- Loans subject to the Seller Standard Variable Rate or the NWB Flexible Choice Rate for the life of the loan or until an alternative product that the Borrower qualifies for is selected by the

Borrower. The Seller Standard Variable Rate is set by the Seller by reference to the general level of interest rates, cost of funding and competitor rates in the UK mortgage market.

Fixed Rate Loans

- Loans subject to a fixed interest rate for a specified period of time and which at the expiration of that period generally convert to Variable Rate Loans. An early repayment charge may be payable in respect of these loans for a set period of time, which generally corresponds with the term of the fixed interest rate.

Discounted Rate Loans

- Loans which allow the Borrower for a set period of time to pay interest at a specified discount to the Seller Standard Variable Rate. At the end of the discounted period, generally the mortgages convert to a Variable Rate Loan.

Tracker Rate Loans

- Loans subject to a variable rate of interest that is linked to either the NatWest Base Rate or the BoE Base Rate or any other variable rate of interest other than the Seller Standard Variable Rate plus (or potentially minus) an additional fixed percentage (the Tracker Rate), usually for a fixed period but, in some instances, for the life of the loan (the Life Tracker Rate Loans). At the end of any fixed period, generally the loans (excluding the Life Tracker Rate Loans) convert to a Variable Rate Loan.

RBSG Staff Loans

- Loans made available to full time permanent staff of RBSG and identified as such on the GMS system.

Flexible Loans

- Loans, for which the rate of interest is set in accordance with the NatWest Flexible Choice Rate or such other flexible rate employed by the Seller from time to time and which permit the relevant Borrower to make Overpayments or take Payment Holidays.

Buy-to-let residential mortgage loans

- The Portfolio may include buy-to-let residential mortgage loans. Borrowers with buy-to-let residential mortgage loans are only permitted to let their properties (in England and Wales) either by way of an assured shorthold tenancy under the Housing Act 1996 or by way of a tenancy which would be an assured shorthold tenancy, but for the rent payable under such tenancy exceeding the maximum amount prescribed by statute in respect of such tenancies, or, (in Scotland) a short assured tenancy under the Housing (Scotland) Act 1988 or a Private Residential Tenancy under the Private Housing (Tenancies) (Scotland) Act 2016.

Repayment Terms

Borrowers typically make payments of interest on, and repay principal of, their loans using one of the following methods:

- **Repayment Loans**: the Borrower makes monthly payments of both interest and principal so that, when the loan matures, the Borrower will have repaid the full amount of the principal of the loan.

- **Interest Only Loans (with a standard repayment vehicle plan)**: the Borrower makes monthly payments of interest but not of principal. When the loan matures, the entire principal amount of the loan is still outstanding and the Borrower must repay that amount in one lump sum. The Borrower may be required to arrange a separate investment plan which will be administered by an organisation other than the Seller, which plan provides for a lump sum payment to coincide with the end of the mortgage term. Although these investment plans are forecast to provide sufficient sums to repay the principal balance of the loan upon its maturity, to the extent that the lump sum payment is insufficient to pay the principal amount owing, the Borrower will be liable to make up any shortfall. These types of **Standard Repayment Vehicle Plans** include:

  – **Endowment**: the Borrower makes regular payments to a life assurance company which invests the premiums; the endowment policy is intended to repay the loan at maturity.

  – **Pension Policy**: the Borrower makes regular payments to a personal pension plan; upon retirement, or plan maturity, the Borrower will receive a tax-free lump sum which is intended to repay the loan.

  – **Individual Savings Accounts or ISAs**: the Borrower makes contributions to a tax-free ISA account; once the value of the ISA equals or exceeds the outstanding mortgage debt, the Borrower may use those amounts to repay the loan at any time thereafter or may wait to repay the loan upon its maturity.

  – **Personal Equity Plans or PEPs**: similar to ISAs, the Borrower makes contributions to a tax-free PEP account and uses these amounts to repay the loan. Although PEPs have been discontinued in the United Kingdom, some Loans with PEP repayment vehicles may be included in the Portfolio.

  – **Unit Trusts**: the Borrower makes regular payments to the trustees of a unit trust and the accumulated unit trust is used to repay the loan by the end of its term.

  From September 2015 following the re-introduction of Interest Only Loans the following are also acceptable Standard Repayment Vehicle Plans:

  - **Sale of UK Property**: the Borrower may use the sale of a UK property to repay the loan at the end of its term. Where the NatWest mortgaged property is the Borrower's main residence, there must be equity of £200,000 as a minimum.

  - **Stocks and Shares**: the Borrower holds stocks and shares on an authorised exchange and the accumulated stocks and shares are used to repay the loan by the end of its term.

  - **Cash Savings**: the Borrower makes contributions to a cash savings account; once the value of the cash savings equals or exceeds the outstanding mortgage debt, the Borrower may use those amounts to repay the loan at any time thereafter or may wait to repay the loan upon its maturity.

  All Standard Repayment Vehicle Plans must be in UK Sterling.

  Prior to September 2015 the Seller did not verify at the outset that a Borrower had a Standard Repayment Vehicle Plan in place. From September 2015, the Seller must verify that a Borrower has a Standard Repayment Vehicle Plan in place at the outset. At certain instances during the lifetime of the loan the Seller may contact the Borrower to request evidence that a Standard Repayment Vehicle Plan remains in place. In addition as it is a condition of the loan that this is in place the Borrower is reminded on an annual basis to this effect.

- **Interest Only Loans (without a Standard Repayment Vehicle Plan)**: where the Borrower makes monthly payments of interest but not of principal and when the loan matures, the entire principal amount of the loan is due. However, the Borrower has no formal repayment vehicle in place to repay the loan in full.

- **Combination of Repayment and Interest Only Loans (Combination Loans)**: this situation most often occurs when the Borrower had an Interest Only Loan with a repayment vehicle on a prior property, and after selling that property the Borrower purchased a property with a loan issued by the Seller, where the subsequent home was either more expensive than the prior home or the Borrower took out a larger loan or further advance. The Borrower used the existing Standard Repayment Vehicle Plan for the new loan or further advance issued by the Seller and made up the difference between the anticipated maturity value of the Standard Repayment Vehicle Plan and the higher loan amount with a repayment mortgage.

During the life of a loan, a Borrower may, with the consent of the Seller, change the type of the Borrower's loan from the interest-only type to repayment type. If a Borrower wishes to do so, the Borrower must make a request to the Seller and the Seller will give the Borrower written notice if it agrees to make such change. From April 2014, a full affordability assessment is undertaken for switches to capital and interest.

The required monthly payment in connection with any Repayment Loans or Interest Only Loans which are not Fixed Rate Loans may vary from month to month for various reasons, including changes in interest rates.

The Seller does not now (and in some cases cannot) take security over investment plans. The Seller only takes an assignment of life policies as security for any loan at the request of the Borrower or as a condition of sanction of the lending unit.

Partial Redemptions

Partial redemptions may be subject to early repayment charges, as described under "*Early Repayment Charges*", however a Borrower whose loan is subject to an early repayment charge may (as at the date of this Prospectus), on an annual basis, repay up to 10% of the amount outstanding at the beginning of each annual period without such partial redemption being subject to an early repayment charge.

If a Borrower under a loan makes an Underpayment, those Underpayments are treated by the Seller as arrears. If a Borrower pays more than the required monthly payment, this will be credited to the relevant account when it is received and in the first instance set off against any existing arrears on the loan.

Early Repayment Charges

If a Borrower wishes to repay the whole of an advance before the time agreed, the Borrower may do so. A Borrower may repay part of an advance before the time agreed provided such partial repayment is not prohibited under the terms of the loan. In the case of repayment in full, the Borrower must pay to the Seller all sums owing to it in respect of such advance by way of principal, interest and costs (including, if the terms of the advance so provide, an early repayment charge) together with the Seller's expenses reasonably and properly incurred in connection with such repayment. Not all products offered by the Seller carry an early repayment charge.

Repayment charges will be calculated on the basis provided under the relevant offer of advance in relation to a loan. In these cases, the Seller retains absolute discretion to waive or enforce early repayment charges in accordance with the Seller's policy from time to time. The amount of any early repayment charges which may become payable on the Loans that are sold to the Issuer will comprise Revenue Receipts.

Interest Payments and Setting of Interest Rates

Interest on the Loans in the Portfolio is computed on a daily basis. The Portfolio comprises Loans where interest is payable by the Borrower monthly in arrears. The balance on which the monthly interest charge is calculated is reset daily.

Each Loan which will comprise the Portfolio accrues interest at any time at a fixed or a variable rate.

Fixed Rate Loans provide that the Borrower pays interest on such Loan at a fixed rate of interest for the period specified in the offer of advance. At the end of that period, the interest rate generally reverts to the Seller Standard Variable Rate.

Interest accrues on Tracker Rate Loans at varying margins above or below the NatWest Base Rate or BoE Base Rate (depending upon the product selected at the time) for the period specified in the offer of advance. At the end of that period, the interest rate generally reverts to the Seller Standard Variable Rate.

The actual interest rate that the Seller charges for some Variable Rate Loans, Discounted Rate Loans and for Fixed Rate Loans upon conversion from a fixed rate to the Seller Standard Variable Rate, where applicable, could be changed for one or more of the following reasons:

- to reflect a change which has occurred or which the Seller reasonably expects to occur, in bank base rates or in interest rates generally in the UK financial services industry;

- to reflect a change which has occurred or which the Seller reasonably expects to occur in the cost of funding the Loan;

- to reflect changes in the law, regulation or any codes or industry guidance which the Seller follows or a decision by a court, ombudsman or regulator; or

- if the original Loan is given to help the Borrower buy a residential property with a view to the Borrower living in it and the Seller subsequently consents in writing to the Borrower letting the property, the Seller may charge a fee or increase the rate of interest payable to the Loan to reflect the increased risk to the Seller.

The Seller's Standard Variable Rate may be varied to take into account the amount of the Borrower's Loan in proportion to the value of the Property (the **loan-to-value ratio** or **LTV**).

Interest rates may be varied in respect of buy-to-let loans by either (a) changing the variable mortgage rate in the circumstances described above or (b) by changing the percentage which is added to the Seller's variable mortgage rate to arrive at the buy-to-let mortgage rate.

Loans may combine one or more of the features listed in this section. For Loans with an interest rate that lasts for a limited period of time specified in the offer of advance, after the expiration of that period the interest rate adjusts to some other interest rate type or else it

reverts to, or remains at, the Seller Standard Variable Rate. The features that may apply to a particular loan are specified in the offer of advance.

Further Advances

A Borrower may apply to the Seller for a further amount to be lent to him or her under his or her Loan. This further amount will be secured by the same Property as the Loan, and will be added as a separate sub-account to the Loan. Any Further Advance made by the Seller and purchased by the LLP will be added to the outstanding principal balance of that Borrower's Loan on the relevant Advance Date. The aggregate of the outstanding amount of the Loan and the Further Advance may be greater than the original amount of the Loan.

Flexible Loans

Certain Borrowers have Flexible Loans which contain certain flexible features whereby a Borrower has the option to make Overpayments and take Payment Holidays or make a withdrawal under the terms of the Loan. However the Flexible Loans do not give the relevant Borrower general exercisable re-draw rights.

Product Switches

From time to time a Borrower may request, or the Seller or the Servicer (on behalf of the Seller) may offer, in limited circumstances, a variation in the financial terms and conditions applicable to the Borrower's Loan. In addition, in order to promote the retention of Borrowers, the Seller may periodically contact certain Borrowers in respect of the Seller's total portfolio of outstanding residential mortgage loans and buy-to-let residential mortgage loans in order to encourage a Borrower to review the Seller's other residential mortgage loans and buy-to-let residential mortgage loan products and to discuss a Product Switch. If a Borrower moves to an alternative mortgage loan product within the NatWest Group and there is no increase in the amount borrowed under such Borrower's existing Loan then, so long as the request is within the required product parameters, no additional underwriting procedures will be required, save that, any such Product Switch will be declined in the case of the Borrower's bankruptcy or any individual voluntary arrangement or typically if the Borrower is in arrears.

Security in respect of the Loans

Each of the Loans in the Portfolio is or will be secured by an English Mortgage or a Scottish Mortgage as applicable.

Arrears Capitalisation

From time to time, where a Borrower has demonstrated a regular payment history following previous arrears, the Seller may, with the consent of the Borrower, capitalise any outstanding amounts in arrears. In those circumstances, the Seller will set the arrears tracking balance to zero and the related loan will no longer be considered to be in arrears. The outstanding balance will be required to be repaid over the remaining term of such loan although the Seller may agree, in exceptional circumstances, to extend the term of the loan.

In the majority of cases, capitalisation of interest in respect of a Loan described above is only considered after other repayment options have been exhausted and there are restrictions on the lifetime frequency of such Loan.

Underwriting

The decision to offer a loan to a potential Borrower is currently made by the Seller using a combination of credit scoring, which includes credit reference agency data and policy rule guidelines. These are either automated or considered by one of the Seller's associated underwriters and/or mandate holders located in one of its lending centres. Each associated underwriter and/or mandate holder must pass a formal training programme to gain the authority to approve mortgage loans. Various levels of authority have been established for the underwriters who approve mortgage loan applications. The levels are differentiated on a risk basis by applicant type (for example, employed or self-employed) product type sought and value of the loan. An underwriter wishing to move to the next level of authority must first demonstrate their competency at their current level and also undertake further training. The quality of underwriting decisions is also monitored on a regular basis.

A revised process was introduced in the first half of 2007, whereby the level of underwriting carried out is varied according to the risk profile of the applicant. The lowest risk applications are subjected to less-in-depth evaluation process whilst the highest will remain subject to full underwriting by mandated underwriters.

The risk profile takes account of the credit score and LTV, but in all cases an affordability calculation will remain a key element of the lending decision.

Lending Criteria

Summary

The Loans included in the Portfolio or to be included in the Portfolio were or will be originated according to the relevant Lending Criteria. Whilst earlier policies differed in some detailed respects from the current policies, they were appropriate for a Reasonable, Prudent Mortgage Lender at the time. The Seller retains the right to revise its Lending Criteria from time to time.

To obtain a loan, each prospective Borrower (an applicant) completes an application which includes information about the applicant's income, anticipated rental income (in respect of buy-to-let applications), current employment details, bank account information, current mortgage information, if any, and certain other personal information. Some of this information is then credit scored through the Seller's scorecard system, which process includes a credit reference agency search. The credit reference agency search is completed on applicant(s) in accordance with the Seller's agreed procedures including the searching of their current address and, if necessary, former addresses. This gives details of public information including any county court judgments and details of any bankruptcy as well as performance information on other credit commitments that are shared by other lenders in accordance with the "Lending Industry's Principles of Data Reciprocity". Some of the factors currently used in making a lending decision are set out below.

Valuation

All properties (except certain newly built properties, relating to mortgage applications made before the last quarter of 2006) have been (or will be) valued on origination of each Loan in the Portfolio through undertaking a standard valuation by a valuer approved by the Seller or, where appropriate, according to a methodology which would meet the standards of a Reasonable, Prudent Mortgage Lender and which has been approved by the Seller.

For buy-to-let applications where a full valuation is obtained, the valuer is asked to confirm what the likely rental income might be, that the property is in a suitable condition to let and in an area with demand for rental accommodation of this type.

When granting a further advance, the Seller may in certain circumstances apply movements in the Halifax House Price Index for the relevant region, between the date of the most recent standard valuation held on file and the date of the further advance application, to the most recent standard valuation to produce an updated indexed valuation. The indexed property value will be one of the inputs to the lending decision, in cases where the further advance does not exceed a particular threshold (at the date of this Prospectus, £100,000 and where the total balance of the Loan following the further advance is below, (a) below 75% LTV and (b) the outstanding balance of the Loan is below a particular threshold (at the date of this Prospectus, £500,000). Whilst the Seller may occasionally revalue the properties in the way described above, no revaluation of the properties is being done for the purpose of this transaction alone.

For further advances given under buy-to-let cases an indexed valuation as described above is only permitted for cases up to a maximum LTV of 75% and where the customer can provide a current assured shorthold tenancy agreement with at least three months remaining to confirm the relevant rental test can be met.

From September 2017, the requirement for a short assured tenancy agreement has been replaced by a rental assessment by Legal & General.

For all other further advances not meeting those criteria a standard valuation will be obtained that will include confirmation of the likely rental income, that the property is in a suitable condition to let and in an area with demand for rental accommodation of this type.

For further advances given under owner occupied cases prior to December 2018, a drive-by valuation may be used where the total balance of the Loan following the further advance is below (a) 90% LTV and (b) a particular threshold. From December 2018 drive-by valuations are no longer permitted. Central Desktop Mortgage Valuation may be used for less than or equal to 80% LTV for valuations up to £1,000,000 and less than or equal to 50% LTV for valuations between between £1,000,000 and £2,000,000.

In certain low risk remortgage and further advance cases, the Seller utilises "Automated Valuation Methodology", whereby the property value is assessed utilising statistical data based on other similar properties in the locality.

Property Types

Properties may be either freehold, leasehold or (in Scotland) heritable or held under a long lease. In the case of leasehold properties including properties in Scotland held under a long lease, the unexpired portion of the lease must in most cases be at least thirty (30) years at the maturity of the loan. However, some flexibility is allocated for prime locations in central London. The property must be solely used for residential or (in the case of buy-to-let residential mortgage loans) residential letting purposes (with extremely limited individual case exceptions) and must be in sound structural condition and repair or be capable of being put into such state. All persons who are to be owners or (in Scotland) heritable proprietors of the property on completion of the relevant Mortgage must be applicants.

A centrally controlled list of acceptable and unacceptable property types is held to determine quality.

Term of Loan

The minimum loan term is three (3) years. Prior to May 2013 there was no maximum term but loans normally must be repaid by the age of seventy (70) years, subject to serviceability beyond normal retirement age.

From May 2013 a maximum term of thirty-five (35) years was introduced and from June 2014 for loans greater than £500,000 a maximum term of thirty (30) years was introduced. From March 2019 the maximum term was revised back up to 35 years for Repayment Loans greater than £500,0000, subject to maximum age.

Serviceability beyond normal retirement age sixty-five (65) is considered where the applicant is sixty-five (65) or above by final maturity. Serviceability evidence is required via future rental, pension and investment income. As a responsible lender, the Seller endeavours to ensure the repayment of a loan is affordable on a long-term basis. Any further advance will usually be required to be repaid within the existing term of the house purchase loan. If the Borrower requests an increase to this term, the loan must still be normally repaid prior to the age of seventy (70) years subject to affordability and serviceability.

From April 2014, the customers intended retirement age is required and it is this age, rather than the assumed age of sixty-five (65), which determines the supplementary documentary evidence required in respect of retirement income and the applicable affordability assessment where borrowing exceeds the intended retirement age.

Age of Applicant

All applicants must be aged eighteen (18) or over. The maximum age limit is normally seventy (70) years but this is subject to serviceability beyond normal retirement age as outlined in the paragraph above. An exception can be sought over the age of 70 years if serviceability can be demonstrated.

Status of Applicant

The maximum amount of aggregate loan(s) under a mortgage account is determined by a number of factors, including any rental income and affordability.

Owner occupied

In determining income, the Seller includes basic salary as primary income, along with allowances, mortgage subsidies, pensions, annuities and acceptable state benefits. Overtime, bonus and commissions will not be automatically included in income. In determining affordability, the Seller deducts the proposed mortgage payment (previously based on the current Seller Standard Variable Rate on a capital and interest repayment method) but since November 2008, based on nominal interest rates ranging between 6.75% and 7.25% on a capital and interest basis (7.00% from November 2008 to January 2017, 6.75% from January 2017 to November 2017, 7.00% from November 2017 to August 2018 since when a rate of 7.25% has been applied), existing personal loans, hire purchase agreements and a particular threshold (at the date of this Prospectus, 3%) of outstanding credit card balances from the applicant(s) net monthly income. The affordability calculation also deducts an allowance for living costs which is derived from modelled data, as well as other commitments specified by the customer – e.g. child maintenance payments. The affordable loan amount applies net free income thresholds as well as loan to income caps. The loan to income caps vary and are currently between four (4) and five (5) times depending on loan to value, loan amount, product type and customer income. Adjustments in the affordability calculation may also be

applied to allow for any expected changes in the foreseeable future in either income or expenditure advised by the customer.

All employed applicants needed to have a minimum employment history of at least six (6) months in an existing job or a continuous period of at least six (6) months within concurrent employment. The Seller currently verifies the applicant's income in all cases.

The Portfolio will contain low LTV Loans (less than 75% LTV) which were processed under a "fast track" procedure where income will have been validated by an intermediary who is an authorised person, or an appointed representative of an authorised person, under the FSMA, and sample checked by the Seller. As of 12 October 2009, the "fast track" procedure is no longer permitted and all customers' incomes are now validated by RBS staff.

Self-employed applicants must have been trading within that particular business for a minimum period of two years and provide appropriate financial data to support this, albeit some professionals (such as dentists and accountants) are able to apply with less than two year's trading. On determining this information, the Seller will assess whether or not the income declared is appropriate.

The Seller may exercise discretion within its Lending Criteria in applying those factors which are used to determine the maximum amount of loan(s). Accordingly, these parameters may vary for some loans. The following may be taken into consideration when exercising discretion: credit score passed, LTV, existing customer relationship, stability of employment, career prospects, affordability, additional income and security being offered.

The nominal stress rate of 7.25% is regularly reviewed with reference to long run Bank of England projections on interest rates and the portion of high loan to income new business is monitored to ensure it is within appetite and the thresholds set by the Bank of England.

From June 2014 for the intermediary channel and July 2014 for the branch network, a loan-to-income cap of 4x income is applicable for loans greater than £500,000.

Buy-to-let

With effect from December 2016, Buy to Let affordability for all channels is based on three approaches:

(i) an interest coverage ratio (**ICR**), being ratio of the expected monthly rental income from the Buy to Let property to the monthly mortgage interest payment, which takes into account likely future interest rate increases. In December 2016, the minimum ICR was increased from 125% to 145%. In September 2017, the minimum ICR threshold was reduced from 145% to 135%. The Issuer permits an ICR below the ICR minimum subject to a 125% floor if the customer has sufficient free income. From June 2019 for Small Landlords (less than four properties) the minimum ICR is 135% for Lower Rate Tax Payers and 145% for Higher Rate Tax Payers. For Portfolio Landlords (4 or more properties) the minimum ICR is 135% for all Tax Payers as all applications have to go through a full affordability assessment. If the rental income is less than 135% but more than 125% the customer's Net Personal income (**NPI**) can be used to supplement rental income to meet 135% threshold. For customers with a minimum annual personal income of £75,000, if rental income is less than 135% but more than 100%, NPI can be used to supplement rental income to meet 135% threshold. If a joint application is made, one applicant must earn at least £75,000;

(ii) an income affordability test, which is a detailed net free income calculation based on the calculation used for Owner Occupier Affordability, which takes into account all the customer's income (including rent from all of the customers properties), tax, national insurance, any tax liability that is associated with financing the Buy to Let property, credit commitments, essential expenditure, living costs and other committed expenditure (including the Buy to Let expenses). Consideration must also be given where the customers is borrowing into retirement; and

(iii) a loan to income maximum of 4.99.

Affordability for buy-to-let lending is determined by ensuring that for each of the three approaches, income exceeds notional loan interest calculated using the Buy to Let stress rate of 5.5%.

The minimum income requirement is £25,000 per annum, for joint applicants one applicant must earn £25,000. A borrower's personal income can be used to supplement the rental income from the BTL property to meet affordability. Where the borrower is using rental income from other rental properties they own as part of the affordability assessment, a Valuation Manager (L&G) Assessment is required to verify the expected rental income.

Previously, affordability for buy-to-let lending was determined by ensuring that rental income exceeds notional loan interest calculated by using a nominal product rate multiplied by 125% rental cover (the **125% Test**).

With effect from May 2007 for Intermediary channel and August 2007 for branch network, where the 125% Test is not met, personal income is permitted to cover a shortfall down to a 100% rental cover minimum (the **100% Test**), if the main applicant's income is greater than £50,000. The Loan to Income cap for loans greater than £500,000 was removed in May 2017. The same affordability calculation as detailed above for owner occupied mortgages is applicable.

From August 2013 minimum income levels of £20,000 per annum for branch network customers and £25,000 per annum for intermediary customers was introduced. Where applications are made in joint names one party must satisfy the minimum income criteria. In addition, personal income was no longer permitted to be used to pass the 125% Test.

From October 2013 the 125% Test nominal rate was 5.25% for intermediaries.

From February 2015 the 125% Test nominal rate was 5.5% for branch network.

From July 2014, a Loan to income cap of 4.99 x income is applicable.

From May 2015 the 125% Test nominal rate was 5.5% for intermediaries.

Previously the rental cover policy was within the following parameters for branch originated loans including tele-sales:

- Prior to the second quarter of 2008, (a) if a Borrower had a gross annual income between £30,000 and £74,999 then their minimum rental income must be 110% of the interest only payment, or (b) if a Borrower had a gross annual income £75,000 or more than their minimum rental income must be 100% of the interest only payment. From the second quarter of 2008 only parameter (b) and the 125% Test applied in branches.

- For intermediary introduced business where the LTV of the buy-to-let loan was below 75.01%, applications were accepted where rental income covered notional loan interest by 110% and the applicant's income was greater than £40,000 per annum. This test was removed on 9 October 2008 and the 125% Test applied at a nominal rate of 6.75% until December 2011 when the nominal rate was increased to 7%.

The following may be taken into consideration when exercising discretion: credit score passed, LTV, existing customer relationship, stability of employment, career prospects, affordability, additional income and security being offered.

Credit Search

A credit reference search is carried out as an integral part of credit scoring in respect of all applications. Applications may be declined where an adverse credit history is revealed (e.g., bankruptcy or sequestration, county court judgments, Scottish court decree for payment of defaults).

Other Credit History

Owner occupied income verification

For employed applicants, except those via the "fast track" process described above (that was in place between 6 August 2007 and 12 October 2009), proof of income is established as follows:

- For applications up to July 2013 where (a) the LTV is less than or equal to 75%; (b) the total loan amount is less than or equal to £500,000; and (c) the credit scoring system issues an agreement in principle to the customer (an **Agreement In Principle**), the customer is required to provide a bank statement, payslip or form P60 to verify their income or for existing bank customers bank records are referred to.

- From July 2013 the LTV trigger for verification was withdrawn and all customers are required to provide as a minimum a bank statement, payslip or form P60 to verify their income or for existing bank customers' bank records are referred to.

- If an applicant's income cannot be easily verified from the bank statements provided, the applicant's last three (3) months consecutive payslips P60 or an employer's reference may be requested. From July 2013 employer's references, are no longer accepted.

For self-employed applicants up to July 2013, the applicant is required to provide proof of income as follows:

- For applications where (a) the LTV is less than or equal to 75%; (b) the total loan amount is less than or equal to £500,000; and (iii) the credit scoring system issues an Agreement In Principle, the customer is required to provide latest year's accounts or latest year's HM Revenue & Customs Tax Assessment or an Accountant's Certificate to verify income. From April 2011 Accountants' Certificates are no longer accepted.

- Other applicants, where the LTV is higher than 75% or the total loan amount is greater than £500,000, are required to provide three (3) months' business bank statements, three months' personal bank statements and either (a) latest two (2) years' finalised accounts of the business or, latest two (2) years' HM Revenue & Customs

Tax Assessment or (b) an Accountant's Certificate. From April 2011 Accountants' Certificates are no longer accepted.

- Up until May 2006, the threshold for requiring bank statements was 75% LTV with the maximum loan amount being £350,000. A policy change was effected at that time raising the loan amount threshold to £500,000.

- From July 2013 all self-employed customer are required to provide latest two (2) years' accounts or latest two (2) years' HM Revenue & Customs Tax Assessment or an Accountant's Certificate to verify income.

Buy-to-let income verification

From September 2017, new or additional borrowing will require income to be verified in line with residential criteria above. A valuation for the property being mortgaged to the bank is required to verify rental income and demand according to property locale. A customer's personal income can be used to supplement the rental income from the BTL property to meet affordability. Where the customer is using rental income from other rental properties they own as part of the affordability assessment, a Valuation Manager (L&G) Assessment is required to verify the expected rental income. The assessment is not required for "Like for Like" re-mortgages from another lender. Rental income must be evidenced against the latest 3 months bank statements and where the income cannot be verified it must not be included to support affordability.

Portfolio Landlords

For Portfolio Landlords, defined as landlords with 4 or more (mortgaged or unencumbered) Buy to Let and/or consent to let properties enhanced requirements were introduced in September 2017 in recognition that the lending to portfolio landlords is inherently more complex given the quantum of debt in aggregate, cash flows and costs arising from multiple tenancies and potential risks of the property and / or geographical concentrations. Given these complexities, new lending requests for portfolio landlords are assessed by the Underwriting team within the Credit Risk Mortgage Lending Unit (**MLU**). The MLU is specifically trained and experienced in evaluating this customer base to undertake a comprehensive assessment.

Previously, for applicants where rental income does not meet the notional loan interest coverage test referred to above, additional information is requested to verify other income as above. With effect from May 2007 for Intermediary channel and August 2007 for branch network, where the 125% test is not met, personal income is permitted to cover a shortfall down to a 100% rental cover minimum (the 100% test), if the main applicant's income is greater than £50,000. The same affordability calculation as detailed above for owner occupied mortgages is applicable.

From October 2013 the 125% test nominal rate was 5.25% for intermediaries.

From February 2015 the 125% test nominal rate was 5.5% for branch network.

From May 2015 the 125% test nominal rate was 5.5% for intermediaries.

From August 2013 minimum income levels of £20,000 per annum for branch network customers and £25,000 per annum for intermediary customers was introduced. Where applications are made in joint names one party must satisfy the minimum income criteria. In addition, personal income was no longer permitted to be used to pass the 125% test.

The Seller retains the right to revise its Lending Criteria from time to time.

Scorecard

The Seller uses some of the above criteria and various other criteria to provide an overall score for the application that reflects a statistical analysis of the risk of advancing the loan. The lending policies and processes are determined centrally to ensure consistency in the management and monitoring of credit risk exposure. Full use is made of software technology in credit scoring new applications. Credit scoring applies statistical analysis to publicly available data and customer provided data to assess the likelihood of an account defaulting. In addition, for existing current account customers, behavioural data on their current account is taken into account in the credit score on initial and further lending decisions. The Seller has the discretion to decline an application where the credit score is passed but other adverse information is known. In addition, a declined credit score decision can be appealed by following a centrally determined appeals process. Instances of such appeals are few and monitored closely.

Seller's Discretion to Lend Outside Lending Criteria

On a case-by-case basis, and within the underwriter levels of authority referred to above, the Seller may have determined that, based upon compensating factors, an applicant that did not strictly qualify under its Lending Criteria at that time warranted an underwriting exception. Compensating factors may be considered including, but not limited to, a low LTV ratio, overall affordability position and track record with the organisation.

Maximum LTV Ratio

As at May 2013, and with the exception of Government Backed Schemes, for loans of £500,000 or less, the Seller may lend up to 95% of the improved valuation of the property (the original valuation plus the increase in value deriving from any improvements). For loans in excess of £500,000, the permissible LTV ratio decreases as the loan increases.

From the third quarter of 2008, the maximum LTV for Interest Only Loans has been reduced to 75% for new lending.

From December 2012 no new lending was offered on an interest only or mixed repayment basis.

From September 2015 Interest Only Loans were re-introduced with a maximum LTV of 75%. Where the NatWest mortgaged property is the Borrowers' main residence, the Interest Only Loan amount reduces to 50%, with an additional loan amount of 25% available on a capital and interest basis.

Until 2006 exceptions to the maximum LTV ratio were made in a small number of cases within the RBS brand where the Borrower was a professional. In such cases, the Seller may have lent up to an LTV of up to 110%.

For buy-to-let loans, the maximum current LTV ratio of Loans to be sold by the Seller to the Issuer is normally 75% but individual exceptions may be made to this, determined on a case-by-case basis and in appropriate circumstances. This is restricted to 65% in respect of buy-to-let loans for new build flats and houses.

Buildings Insurance Policies

Insurance on the Property

All Borrowers are required to have appropriate buildings insurance to cover the recommended reinstatement value of the property (as confirmed by a valuer approved by the Seller). All such buildings insurance policies must be held with a company that is authorised to conduct its insurance business in the United Kingdom. This will primarily be with companies that are registered members of the Association of British Insurers (ABI) but on occasions can also consist of non-members (such as Lloyds, TSB Bank plc). Where a loan exceeds £2,500,000 on an individual property, the Seller has its interest noted on the policy schedule.

When any claim arises or is made under any insurance policy relating to the property, the Seller shall have the power and authority to settle and adjust with the insurers any question relating to such insurance. The Seller's receipt for any monies receivable under any such policy shall be a sufficient discharge to the insurers. The Seller may in its discretion apply any such monies in or towards the reinstatement of the property or the redemption of the mortgage, and shall pay the surplus (if any) to the person entitled thereto.

Whenever any fire, life or other insurance of whatever kind is effected through the Seller's agency, all sums allowed to the Seller by way of commission or otherwise by the insurers shall belong absolutely to the Seller and it shall not be required to account therefor.

A Borrower may apply for insurance when they make a mortgage application. If such an application is received, the Seller will pass the application to UK Insurance Limited, who will deal with the Borrower and issue cover. UK Insurance Limited's registered number is 1179980 and its address is The Wharf, Neville Street, Leeds LS1 4AZ. The Seller has no involvement in the provision of such insurance other than passing on the Borrower's initial application.

Household Contingency Policy

In addition, the Seller is insured under a Household Contingency Policy. The Household Contingency Policy provides cover up to £2,500,000 in any one claim. It is envisaged that the amounts recovered under the policy would be generally used by the Seller to fund the reinstatement of the property or otherwise paid to the Seller to reduce the amount of the loan. The Seller will assign its rights under this policy to the Issuer for any Loan sold by it which is in the Portfolio.

SUMMARY OF THE PRINCIPAL DOCUMENTS

Trust Deed

The Trust Deed, made between the Issuer, the LLP, the Bond Trustee and the Security Trustee, is the principal agreement governing the Covered Bonds. The Trust Deed was made on 1 April 2010, as supplemented on 29 February 2012, 16 May 2013, 19 December 2014, 10 July 2015, 19 December 2016, 6 June 2018 and 28 February 2019. The Issuer and the Bond Trustee agreed to enter into the Sixth Supplemental Trust Deed dated on 6 June 2018 to reflect the transfer of certain elements of RBS's business to NatWest under the Ring Fencing Transfer Scheme.

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 terms on which the Bond Trustee may or shall consent (or direct the Security Trustee to consent) to certain modifications or waivers to the Transaction Documents and the Covered Bonds, for further information see Condition 14(d)(iv) to (viii) 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 Coupons, if any other Issuer Event of Default occurs (other than by reason of non-payment) or if an LLP Event of Default occurs, the LLP has agreed (subject as described below) to pay or procure to be paid (following service of an Issuer Acceleration Notice and Notice to Pay or, if applicable, an LLP Acceleration Notice) unconditionally and irrevocably to or to the order of the Bond Trustee (for the benefit of the Covered Bondholders), an amount equal to that portion of the Guaranteed Amounts which shall become Due for Payment but would otherwise be unpaid, as of any Original Due for Payment Date or, if applicable, Extended Due for Payment Date, by the Issuer (or an amount which would have become Due for Payment but for any variation, discharge or release of the Guaranteed Amounts). Under the Covered Bond Guarantee, the Guaranteed Amounts will become due and payable on any earlier date on which an LLP Acceleration Notice is served.

Following the occurrence of an Issuer Event of Default and after the Covered Bonds have been declared due and payable by the Bond Trustee as against the Issuer, the Bond Trustee will serve a Notice to Pay on the LLP. Payment by the LLP of the Guaranteed Amounts pursuant to the Covered Bond Guarantee will be made on the later of: (a) the day which is two (2) London Business Days following service of a Notice to Pay on the LLP; or (b) 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, 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 the power to tax unless the withholding or deduction of such taxes, assessments or governmental charges is required by law. 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 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 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 or the Covered Bonds or Coupons or the absence of any action to enforce the same or the waiver, modification or consent by the Bond Trustee or any of the Covered Bondholders or Couponholders in respect of any provisions of the same or the obtaining of any judgment or decree against the Issuer or any action to enforce the same or any other circumstances which might otherwise constitute a legal or equitable discharge or defence of a guarantor.

Subject to the grace period specified in Condition 9(b)(i) (LLP Events of Default) of the Conditions, failure by the LLP to pay the Guaranteed Amounts when Due for Payment will result in an LLP Event of Default.

The Trust Deed provides that any 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 Deposit Account and the Excess Proceeds shall thereafter form part of the Security and shall be used by the LLP in the same manner as all other monies from time to time standing to the credit of the Deposit Accounts. Any Excess Proceeds received by the Bond Trustee shall discharge *pro tanto* the obligations of the Issuer in respect of the Covered Bonds and Coupons. However, the obligations of the LLP under the Covered Bond Guarantee are (following service of an Issuer Acceleration Notice and Notice to Pay or, if earlier, service of an LLP Acceleration Notice) unconditional and irrevocable and the receipt by the Bond Trustee of any Excess Proceeds shall not reduce or discharge any of such obligations.

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.

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 will (if required) be swapped into Sterling pursuant to the relevant Covered Bond Swap. The Term Advance or the Sterling Equivalent of each Term Advance, as applicable, will be used 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*" below; and/or (b) to invest in Substitution Assets in an amount not exceeding the prescribed limit to the extent required to meet the requirements of Regulations 23 and 24(1)(a) of the RCB Regulations and the Asset Coverage Test and thereafter may be applied by the LLP: (i) 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*" below; and/or (ii) to invest in Substitution Assets in an amount not exceeding the prescribed limit; and/or (c) (subject to satisfying the Asset Coverage Test), to make a Capital Distribution to a Member; and or (d) if an existing Series or Tranche, or part of an existing Series or Tranche, of Covered Bonds is being refinanced by such issue of Covered Bonds, to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced; and/or (e) to make a deposit in the Deposit Account (including, without limitation, to fund the Reserve Fund in an amount not exceeding the prescribed limit). 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 remains outstanding) or a Notice to Pay on the LLP, amounts due in respect of each Term Advance will be paid by the LLP to, or as directed by, the Issuer on each Interest Payment Date, subject to paying all higher ranking amounts in the Pre-Acceleration Revenue Priority of Payments or, as applicable, the Pre-Acceleration Principal Priority of Payments. The Issuer may use the proceeds of the Term Advances to pay amounts due on the Covered Bonds. However, any failure by the LLP to pay any amounts due on the Term Advances will not affect the liability of the Issuer to pay the relevant amount due on the Covered Bonds. For so long as an Asset Coverage Test Breach Notice is outstanding, 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: (a) any amounts paid by the LLP under the terms of the Covered Bond Guarantee to repay the Covered Bonds (the proceeds of which were originally applied to make such Term Advances); and (b) the Principal Amount Outstanding of any Covered Bonds (the proceeds of which were originally applied to make such Term Advances) purchased by the LLP and cancelled in accordance with Condition 6(h).

The Intercompany Loan Agreement is governed by English law.

Mortgage Sale Agreement

The Seller

Following the RFTS Effective Date, the RBS Mortgage Sale Agreement and the NWB Mortgage Sale Agreement have been consolidated into the Third Amended and Restated NWB Mortgage Sale Agreement such that the LLP shall be party to only one Mortgage Sale Agreement from the RFTS Effective Date. This Mortgage Sale Agreement was entered into on 1 April 2010 and amended and restated on 19 December 2014, 10 July 2015 and 6 June 2018. Loans and their Related Security have been sold to the LLP from time to time pursuant to the terms of the Mortgage Sale Agreement. In respect of any Scottish Loan, such Loan is held on trust for the benefit of the LLP pursuant to the Scottish Declarations of Trust.

Sale by the Seller of Loans and Related Security

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 the earlier of an Issuer Event of Default or an LLP Event of Default, the LLP will acquire Loans and their Related Security from NatWest in the three (3) 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 remains outstanding; and/or

    (ii) the Seller being treated as having made a Capital Contribution in Kind in an amount equal 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) made by the LLP to the Seller; and

    (iii) Deferred Consideration.

(b) Second, prior to service of an Asset Coverage Test Breach Notice on the LLP (which remains outstanding), the LLP will use the Available Principal Receipts to acquire Additional Loan Advances, Flexible Loan Drawings and 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 Business Day subject to providing for payment in respect of paragraph (a) of the Pre-Acceleration Principal Priority of Payments.

(c) Third, the LLP and NatWest (in its capacity as a Member of the LLP) 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 (or procure the sale of such Loans by NatWest) on or before the next Calculation Date in consideration of NatWest (as applicable) being treated as having made a Capital Contribution in Kind (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 shall have occurred which is continuing as at the relevant Transfer Date;

(b) the LLP, acting on the advice of the Cash Manager, is not aware that the purchase of the Loans and their Related Security would adversely affect the then current ratings by Moody's or Fitch of the Covered Bonds;

(c) the weighted average yield on the Loans in the Portfolio (including the New Loans) is at least 0.15% greater than LIBOR for one month Sterling deposits after taking into account (i) the weighted average yield on the Loans and (ii) the weighted average margins on the Interest Rate Swaps and (iii) the average yield on any Substitution Assets held by the LLP;

(d) no Loan has a True Balance of more than £2,600,000;

(e) no Loan to be sold on the First Transfer Date nor any subsequent Transfer Date relates to a Property which is not a residential Property;

(f) as at the Transfer Date the aggregate True Balance of those Loans in the Portfolio (including the loans which it is proposed will be New Loans) which are RBSG Staff Loans will not exceed 5% of the aggregate True Balance of all of the Loans in the Portfolio as at that date;

(g) as at the Transfer Date, the aggregate True Balance of those Loans in the Portfolio (including the loans which it is proposed will be New Loans) which are Payment Holiday Loans will not exceed 2% of the aggregate True Balance of all of the Loans in the Portfolio as at that date; and

(h) no Loan constitutes a New Loan Type, in respect of which the Rating Condition has not been satisfied in accordance with the terms of the Mortgage Sale Agreement.

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.

If the conditions set out in conditions (f) and/or (g) are breached on the relevant Transfer Date, such conditions shall be deemed to be satisfied or waived and there will be deemed to be a material breach of warranty in respect of any RBSG Staff Loans and/or Payment Holiday Loans in the Portfolio to the extent that it would cause a breach of the relevant threshold.

If the Seller accepts an application from or makes an offer (which is accepted) to a Borrower for a Product Switch, Flexible Loan Drawing or Additional Loan Advance, then if the Eligibility Criteria referred to in paragraphs (c), (d), (e), (f), (g) and (h) above relating to the Loan subject to that Product Switch, Flexible Loan Drawing or Additional Loan Advance is not satisfied on the next following Calculation Date, the LLP will be entitled to rectify the relevant breach of those Eligibility Criteria by (in the event of a breach of the Eligibility Criteria in paragraphs (c), (d), (e) or (h) above) requiring the Seller to repurchase the Loans subject to any Product Switch, Flexible Loan Drawing or Additional Loan Advance or (in the event of a breach of the Eligibility Criteria in paragraph (c) above) by requiring NatWest (in its capacity as the Seller) to transfer or procure the transfer of further Loans to the LLP in an amount sufficient to ensure that the Eligibility Criterion in paragraph (c) above is met.

Transfer of Title to the Loans to the LLP

English Loans will be sold by the Seller to the LLP by way of equitable assignment. Scottish Loans will be sold by the Seller to the LLP on the First Transfer Date by way of Scottish Declarations of Trusts and, in relation to Scottish Loans sold by the Seller to the LLP after the First Transfer Date, by

further Scottish Declarations of Trust, under which the Seller declares a trust over the Scottish Loans and holds such Scottish Loans on trust for the benefit of the LLP and accordingly, 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 and transfer of the beneficial interest in such Scottish Loans to the LLP. Such beneficial interest (as opposed to the legal title) cannot be registered or recorded in the Registers of Scotland.

The legal title to the Loans will remain with NatWest until legal assignments or assignations (as appropriate) are effected between the Seller and the LLP and notice of the sale is given by or on behalf of the LLP 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 accordingly be deferred and will only take place in the limited circumstances described in this paragraph and below.

Subject as described in the above paragraph, 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 twentieth (20th) Business Day after the earliest of the following:

(a) the occurrence of an Issuer Event of Default under Condition 9(a) and service on the Issuer of an Issuer Acceleration Notice and the service on the LLP of a Notice to Pay, unless the Seller has notified the LLP that it will accept an offer set out in any Selected Loan Offer Notice within the prescribed time;

(b) 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;

(c) 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;

(d) the date on which the Seller ceases to be assigned a long-term unsecured, unsubordinated debt obligation rating by Moody's of at least Baa3 or by Fitch of at least BBB;

(e) (unless otherwise agreed by the Security Trustee) the termination of the Seller's role as the Servicer under the Servicing Agreement in respect of the Loans sold by it to the LLP unless the substitute Servicer is a member of the RBS Group;

(f) the occurrence of an Insolvency Event in respect of NatWest; and

(g) 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 Loans and the related 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, 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 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 given 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 the Rating Condition has been satisfied in respect of the proposed amendment), amend the representations and warranties in the Mortgage Sale Agreement. The principal 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 Loan was originated or purchased by the Seller in the ordinary course of business not less than one calendar month prior to the relevant Transfer Date and was denominated in pounds 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);

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

- no Loan has a True Balance of more than £2,600,000;

- no Loan in the Portfolio is an Off-Set Loan;

- prior to the making of each advance under a Loan, the Lending Criteria and all preconditions to the making of any Loan were satisfied in all material respects, subject only to exceptions and waivers as would be acceptable to a Reasonable, Prudent Mortgage Lender;

- 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 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 court's 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, Wales or Scotland;

- 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;

- none of the terms in any Loan or its Related Security is not binding by virtue of it being unfair within the meaning of the UTCCR (except that the Seller makes no representation as to the fairness or otherwise of terms which relate to its ability to vary the rate of interest or its right to unilaterally revoke its consent to letting);

- to the extent that any Loan and its Related Security and any guarantee in relation to that Loan is subject to UTCCR no action (whether formal or informal) has been taken by the OFT or by a qualifying body as defined in the 1999 Regulations against the Seller, pursuant to the UTCCR or otherwise which might prevent or restrict the use in such agreement of any material term or the enforcement of any such term;

- not more than twelve (12) months (or two (2) years in the case of a Re-Mortgage or Additional Loan Advance made prior to the relevant Transfer Date) 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 (except in relation to newly built properties where no such valuation was received, and in respect of which the Seller shall have received confirmation of the purchase price of the relevant property from the solicitor responsible for registering the Seller's security in relation to such property);

- prior to the inception of each Mortgage, the Seller:

    - instructed its solicitor or licensed conveyancer or (in Scotland) qualified conveyancer to carry out an investigation of title to the relevant Mortgaged Property and to undertake such other searches, investigation, enquiries and other actions on behalf of the Seller as are set out in the instructions which the Seller issued to the relevant solicitor, licensed conveyancer or qualified conveyancer as are set out in the case of English Loans in the CML's Lenders' Handbook for England and Wales and, in the case of Scottish Loans, the CML's Lenders' Handbook for Scotland (or such comparable, predecessor or successor instructions and/or guidelines as may for the time being be in place), subject only to such variations as would have been acceptable to a Reasonable, Prudent Mortgage Lender at the relevant time; and

    - received a report on title from the solicitor or licensed conveyancer or (in Scotland) qualified conveyancer referred to above, relating to such Mortgaged Property, the contents of which were such as would have been acceptable to a Reasonable, Prudent Mortgage Lender at that time;

- each Property was at the time of inception of the Mortgage insured under:

    - a Buildings Insurance Policy arranged by the Borrower in accordance with the Mortgage Conditions; or

    - a Buildings Insurance Policy arranged by the Seller; or

- with respect to leasehold Mortgaged Properties, a Buildings Insurance Policy arranged by the relevant landlord,

and in all cases: (a) against risks usually covered by a comprehensive building insurance policy; (b) with the interest of the Seller noted thereon with effect from the origination of the relevant Loan in the event that it exceeds £1,500,000; and (c) the Seller has received no notice from the Borrower that any Property has ceased to be insured at all;

- 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, 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 pursuant to the Mortgage Sale Agreement free and clear of all Security Interests, claims and equities (including, without limitation, rights of set-off or counterclaim and overriding interests within the meaning of section 3(xvi) of the Land Registration Act 1925), that subject only to the Mortgage Sale Agreement and the Borrower's equity of redemption and the Seller is not in breach of any covenant implied by reason of its selling the relevant Portfolio with full title guarantee or, in the case of any Scottish Loans, with absolute warrandice;

- 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 make 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; and

- 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.

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, Flexible Loan Drawing or Product Switch), materially comply with the Representations and Warranties set out in the Mortgage Sale Agreement, then the Seller will be required to repurchase: (a) any such Loan and its Related Security; and (b) any other Loans of the relevant Borrower and their Related Security that are included in the Portfolio that are in breach of the Representations and Warranties. The repurchase price payable upon the repurchase of any Loan is an amount (not less than zero) equal to the True Balance plus fees, Accrued Interest and Arrears of Interest thereof as at the relevant repurchase date. The repurchase proceeds received by the LLP will be applied (other than fees, 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:

(a) an Additional Loan Advance, Flexible Loan Drawing or a Product Switch made in respect of a Loan results in certain Eligibility Criteria being breached; or

(b) a proposed Product Switch, Flexible Loan Drawing or Additional Loan Advance would result in the LLP being required to be regulated by the FCA by reason of it carrying on a mortgage-related regulated activity. In these circumstances, if the Seller or Borrower accepts an offer for the Product Switch, the Servicer or administrator (as the case may be) will notify the LLP and the Seller will be required to repurchase the affected Loan or Additional Loan Advance before the Product Switch takes place.

Defaulted Loans

If the Seller receives a Defaulted Loans Notice from the Cash Manager or, where the Seller is in the same group as the Cash Manager, a schedule, in each case, 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, offer to repurchase a Defaulted Loan and its Related Security from the LLP for an amount equal to its True Balance plus fees, Accrued Interest and Arrears of Interest 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 sold by it to the LLP from the LLP for a purchase price of not less than the aggregate True Balance plus Accrued Interest and Arrears of Interest 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 (a) where the Selected Loan Offer Notice is given because the Issuer has failed the Pre-Maturity Test in respect of any Series of Hard Bullet Covered Bonds, the greater of the then True Balance of the Selected Loans, together with all fees, Accrued Interest and Arrears of Interest thereon, and the Adjusted Required Redemption Amount; (b) where the Selected Loan Offer Notice is given following the service of an Asset Coverage Test Breach Notice but prior to the service of a Notice to Pay, the True Balance of the Selected Loans, together with all fees, Accrued Interest and Arrears of Interest thereon; or (c) where the Selected Loan Offer Notice is given following the service of a Notice to Pay, the greater of the True Balance of the Selected Loans, together with all fees, Accrued Interest and Arrears of Interest thereon, and the Adjusted Required Redemption Amount, in each case subject to the offer being accepted by the Seller within ten (10) London Business Days. If an Issuer Event of Default has occurred but no liquidator or administrator has been appointed to NatWest or no bank liquidator or bank administrator has been appointed to NatWest, then NatWest's right to accept the offer (and therefore its right of pre-emption) will be conditional upon the delivery by NatWest 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 (3) London Business Days of such acceptance, serve a Selected Loans Repurchase Notice on the Seller. The Seller will sign and return a duplicate copy of the Selected Loans 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 (10) London Business Days after returning the Selected Loans Repurchase Notice to the LLP; and (b) the Final Maturity Date, as applicable, of the Hard Bullet or Earliest Maturing Covered Bonds).

For the purposes hereof:

Adjusted Required Redemption Amount means the Sterling Equivalent of:

(a) the Required Redemption Amount;

plus (if an amount is payable by the LLP) or minus (if an amount is payable to the LLP);

(b) any swap termination amounts payable to or by the LLP under the relevant Covered Bond Swap Agreement in respect of the relevant Series of Covered Bonds;

plus (if an amount is payable by the LLP) or minus (if an amount is payable to the LLP);

(c) any swap termination amounts payable to or by the LLP under the Interest Rate Swap Agreement in respect of the relevant Series of Covered Bonds;

minus

(d) (i) in respect of a sale in connection with the Pre-Maturity Test, amounts standing to the credit of the Pre-Maturity Liquidity Ledger that are not otherwise required to provide liquidity for any Series of Hard Bullet Covered Bonds which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds; or

(ii) in respect of a sale following service of a Notice to Pay, amounts standing to the credit of the Deposit Account and the principal balance of any Substitution Assets and Authorised Investments (excluding all amounts to be applied on the next following LLP Payment Date to pay or 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); and

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 x 1+ Negative Carry Factor x (days to maturity of the relevant Series of Covered Bonds/365)

Further drawings under Loans

The Seller is solely responsible for funding all Additional Loan Advances and Flexible Loan Drawings 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.

New Sellers

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 a 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 has 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 has 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, 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;

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

- either the Servicer services the New Loans and their Related Security sold by a New Seller on the terms set out in the Servicing Agreement (with such subsequent amendments as may be agreed by the parties thereto) or the New Seller (or its nominee) enters into a servicing agreement 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 Agreement (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); and

- the Rating Condition has been satisfied in relation thereto.

If the above conditions are met, the consent of the Covered Bondholders will not be obtained to the accession of a New Seller to the Programme and the Bond Trustee and the Security Trustee shall agree to any modification to the terms of the Transaction Documents to effect the accession of a New Seller to the Programme.

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

Servicing Agreement

Pursuant to the terms of the Servicing Agreement, NatWest (in its capacity as the Servicer) has agreed to service on behalf of the LLP the Loans and their Related Security sold by the Seller to the LLP.

The Servicing Agreement was entered into on 1 April 2010 and amended and restated on 19 December 2014, 10 July 2015 and 6 June 2018. On 1 November 2012 NWHL novated its rights and obligations as Servicer under the Servicing Agreement to NatWest pursuant to the Deed of Novation. The Servicing Agreement was further amended and restated on 6 June 2018 in order to reflect the transfer of certain elements of RBS's business to NatWest under the Ring Fencing Transfer Scheme. The Servicer may, in some circumstances, delegate some or all of its responsibilities and obligations under the Servicing Agreement. However, the Servicer will remain liable at all times for the servicing of the relevant Loans and for the acts and omissions of any delegate or such contractor. Following the RFTS Effective Date, delegation arrangements that were in place between NatWest and RBS have been terminated.

The Servicer will be required to administer the Loans in accordance with the Servicing Agreement and:

(a) 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

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

The Servicer's actions in servicing the Loans in accordance with its procedures 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 Agreement, 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 Agreement, the Servicer will undertake in relation to those Loans and their Related Security that it is servicing, *inter alia*, to:

- act as collection agent under the Direct Debiting Scheme;
- notify Borrowers of changes in their monthly payment;
- keep records and accounts on behalf of the LLP in relation to the Loans;
- keep the Loan Files and Title Deeds in their possession or under their control in safe custody and maintain records necessary to enforce each Mortgage 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;
- assist the auditors of the LLP;
- maintain a register in respect of the Portfolio;

- make available upon request 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 such information about the Loans and their Related Security contained in the Portfolio and/or such other information as the FCA may direct pursuant to the RCB Regulations;

- assist the Cash Manager in the preparation of a monthly asset coverage report and the Quarterly Investor Report in accordance with the Cash Management Agreement;

- take all reasonable steps to recover all sums due to the LLP, including instituting proceedings and enforcing any relevant Loan or Mortgage using the discretion of a Reasonable, Prudent Mortgage Lender in applying the enforcement procedures forming part of the Seller's policy; and

- enforce any Loan which is in default in accordance with the Seller's enforcement procedures or, to the extent that such enforcement procedures are not applicable having regard to the nature of the default in question, with the usual procedures undertaken by a Reasonable, Prudent Mortgage Lender on behalf of the LLP.

Setting of Seller 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 Agreement. 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.

In addition to the undertakings described above, the Servicer has also undertaken in the Servicing Agreement to determine and set in relation to all the Loans in the Portfolio the LLP 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:

(a) the LLP Variable Rate in respect of Discounted Rate Loans and Variable Rate Loans (excluding any Buy-to-Let Variable Rate Loans) 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 Seller Standard Variable Rate of the Seller which applies to mortgage loans beneficially owned by the Seller outside the Portfolio;

(b) the LLP Variable Rate, in respect of Variable Rate Flexible Loans at a rate which is higher than (although it may be lower than or equal to) the then prevailing Seller Flexible Choice Rate which applies to loans beneficially owned by the Seller outside the Portfolio;

(c) the LLP Variable Rate, in respect of the Buy-to-Let Variable Rate Loans, at a rate which is higher than (although it may be lower than or equal to) the then prevailing relevant Buy-To-Let Variable Rate which applies to loans beneficially owned by NatWest outside the Portfolio;

(d) a margin in respect of any relevant Tracker Rate Loan after the fixed tracker period (where applicable), Capped Rate Loans or Discounted Rate Loans which, where the relevant offer conditions provide that the margin shall be the same as the margin applicable to all other loans having the same offer conditions in relation to interest rate setting, is higher or lower than the margin then applying to those loans beneficially owned by the Seller outside the Portfolio;

(e) a margin in respect of any relevant Tracker Rate Loan after the fixed tracker period (where applicable), Capped Rate Loans or Discounted Rate Loans which is higher than (although it may be lower than or equal to) the margin which would then be set in accordance with the Seller's Policy from time to time in relation to those types of loans beneficially owned by the Seller outside the Portfolio; and

(f) 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:

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

(ii) the LLP Variable Rate in respect of the Variable Rate Loans (including the Buy-to-Let Variable Rate Loans), the Variable Rate Flexible Loans, the Capped Rate Loans and the Discounted Rate Loans and any other discretionary rate or margin in respect of the Loans which the Servicer proposes to set under the Servicing Agreement for the Relevant LLP Payment Period;

(iii) the NatWest Base Rate and the BoE Base Rate (as applicable) in respect of the Tracker Rate Loans; and

(iv) the other resources available to the LLP including those under 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 (A) the amount of interest which would be payable (or provisioned to be paid) under the Intercompany Loan 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(s) in respect of each Series of Covered Bonds with a Covered Bond Swap(s) in place on each LLP Payment Date of each Series of Covered Bonds falling at the end of the Relevant LLP Payment Period and (B) 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 two (2) London Business Days, of the amount of the shortfall. If the LLP or the Security Trustee notifies the Servicer 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 NatWest 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 (or procure the sale by NatWest of New Loans and their Related Security to the LLP) on or before the next

Calculation Date which have the Seller Standard Variable Rate and/or other discretionary rates or margins sufficient to avoid such shortfall on future Calculation Dates. In consideration of such sale, NatWest 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 Variable Rate in respect of the Variable Rate Loans (including the Buy-to-Let Variable Rate Loans), the Variable Rate Flexible Loans, the Capped Rate Loans and the Discounted Rate Loans and any other discretionary rate or margin, in respect of the Loans which the Servicer proposes to set under the Servicing Agreement for the relevant LLP Payment Period;

(b) the NatWest Base Rate and the BoE Base Rate (as applicable) in respect of the Tracker Rate Loans;

(c) the other resources available to the LLP including the Interest Rate Swap Agreement,

whether the LLP would receive an aggregate amount of interest on the Loans and amounts under the Interest Rate Swaps during the Relevant LLP Payment Period which would give an annual yield on the Loans of at least LIBOR plus 0.15%.

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 two (2) London Business Days, of the amount of the shortfall and the LLP 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 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 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 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 (to the extent it has actual knowledge of the occurrence of a Servicer Event of Default) may terminate the authority of the Servicer to determine and set the LLP 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 and the Security Trustee will agree to appoint the replacement Servicer to set the LLP Variable Rate and the other discretionary rates or margins itself.

Compensation

As full compensation 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 RBS Group is entitled to receive the fee from the LLP as set out in Servicing Agreement. If, however, a servicer is appointed from outside the RBS Group, the level of this fee may be changed.

Removal or resignation of the Servicer

The LLP and 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 (3) 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 Agreement and fails to remedy that default for a period of ten (10) London 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 Agreement, 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 twenty (20) London Business Days after the earlier of the Servicer 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.

Upon the termination of the Servicer, the LLP (with the assistance of the Back-Up Servicer Facilitator) shall use reasonable endeavours to appoint a substitute servicer in accordance with the terms of the Servicing Agreement, provided that if:

(a) an entity is acting as a back-up or standby servicer to the Servicer as a consequence of the occurrence of a Back-Up Servicer Event;

(b) no event has occurred which would entitle the LLP to terminate the back-up or stand-by servicer's appointment under the agreement appointing the back-up or stand-by servicer; and

(c) the back-up or stand-by servicer is contractually committed to provide the services in relation to the Portfolio if the appointment of the Servicer is terminated pursuant to the Servicing Agreement, the appointment of the back-up or stand-by servicer shall satisfy the obligation of the LLP to appoint a substitute servicer.

Subject to the fulfilment of a number of conditions, the Servicer may voluntarily resign by giving not less than twelve (12) months' notice to the Security Trustee, the Back-Up Servicer Facilitator and the LLP, provided that a substitute servicer qualified to act as such under the FSMA (to the extent applicable) and with a management team with experience of servicing mortgages in the United Kingdom has been appointed and enters into a servicing agreement with the LLP substantially on the same terms as the Servicing Agreement, provided that if the LLP or the Servicer determines that no substitute servicer would enter into a contract on substantially the same terms to those set out in the Servicing Agreement for a commercially reasonable fee taking into account prevailing market conditions, a replacement agreement may be entered into on reasonable commercial terms of the LLP or the Servicer certifies in writing to the Bond Trustee and the Security Trustee that the terms upon which it is proposed the back-up replacement servicer will be appointed are reasonable commercial terms taking into account the prevailing current market conditions. The resignation of the Servicer is 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.

In addition, the appointment of the Servicer may be terminated by the Servicer upon the expiry of not less than sixty (60) days' notice of termination given by the Servicer to the LLP, the Back-Up Servicer

Facilitator and the Security Trustee if (a) following a Perfection Event, the Servicer has certified to the LLP and the Security Trustee in writing that it cannot operationally continue to service the relevant Loans and their Related Security; or (b) a back-up or stand-by Servicer is appointed upon the occurrence of a Back-Up Servicer Event to service the Portfolio following the occurrence of a Ratings Event and such appointment is effective on and from the date of such termination.

If the appointment of the Servicer is terminated, the Servicer must deliver the Title Deeds and Loan Files relating to the Loans administered by it to, or at the direction of, the LLP. The Servicing Agreement 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 Agreement that have been comprised in the Portfolio.

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

Back-up Servicing Agreement

The Servicer and the LLP agree that, upon NatWest ceasing 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- (a **Back-Up Servicer Event**), they will use best endeavours (with, in the case of the LLP, the assistance of the Back-Up Servicer Facilitator) to identify and appoint a suitable third party to act as a back-up or stand-by servicer (the **Back-Up Servicer**) to the Servicer within sixty (60) days of such Back-Up Servicer Event. Each Servicer and the LLP covenant that they will use best endeavours to procure that the agreement appointing the Back-Up Servicer contains an undertaking from the Back-Up Servicer that it will commence servicing the Portfolio upon the earlier to occur of (a) the date falling sixty (60) days following the date on which the Seller ceases to be assigned a long-term, unsecured, unguaranteed and unsubordinated debt obligation by Moody's of at least Ba2 by Moody or by Fitch of at least BB (a **Ratings Event**) and (b) the termination of the Servicer as servicer pursuant to the termination clause in the Servicing Agreement (a **Servicer Termination**).

Any Back-Up Servicer appointed on or after the occurrence of a Back-Up Servicer Event will be paid a fee with regard to the services it performs as agreed separately between the LLP and the Back-Up Servicer (the **Back-Up Servicer Fee**). The amount of the Back-Up Servicer Fee will be added to the fees and costs that are payable to the Servicer by the LLP in accordance with the relevant Priorities of Payment and this Agreement, and the Servicer shall promptly following receipt of such amount pay the Back-Up Servicer Fee to the Back-Up Servicer or direct the LLP to pay such amounts directly to the Back-Up Servicer.

Back-Up Servicer Facilitator

The LLP has appointed the Back-Up Servicer Facilitator as its agent to, following the earlier to occur of a Back-Up Servicer Event and a Servicer Termination and in conjunction with the Servicer or, as applicable, the LLP, use best efforts to identify, on behalf of the LLP, a suitable entity to provide, in the case of a Back-Up Servicer Event, back-up or stand-by services to the Servicer in accordance with the terms of the Servicing Agreement or, in the case of a Servicer Termination, serving servicers to the LLP.

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

Asset Monitor Agreement

The Asset Monitor Agreement was entered into on the Initial Programme Date as amended and restated on 12 April 2013 and 6 June 2018 between the Asset Monitor, the LLP, the Cash Manager and the Security Trustee. The Asset Monitor Agreement was amended and restated on 6 June 2018 in

order to reflect the transfer of certain elements of RBS's business to NatWest under the Ring Fencing Transfer Scheme.

Under the terms of the Asset Monitor Agreement, the Asset Monitor has agreed, subject to due receipt of the information to be provided by the Cash Manager to the Asset Monitor, to act as asset pool monitor (as defined in the RCB Regulations) and 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 Initial Programme Date with a view to confirmation of compliance by the LLP with the Asset Coverage Test on that Calculation Date.

For so long as NatWest is acting as Cash Manager, if the long-term ratings of the Cash Manager fall below Baa3 by Moody's or BBB- by Fitch, or if an Asset Coverage Test Breach Notice has been served and remains outstanding, 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 Aggregate Adjusted Asset Amount is mis-stated by an amount exceeding 1% of the Aggregate Adjusted Asset Amount (as at the date of the relevant Asset Coverage Test), the Asset Monitor will be required to conduct such tests following each Calculation Date for a period of six (6) 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.

As of the Initial Programme Date, the LLP will pay to the Asset Monitor a fee of up to £5,000 per report (exclusive of VAT) for the reports to be performed by the Asset Monitor.

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 thirty (30) days' prior written notice to the Asset Monitor, and the Asset Monitor may, at any time, resign by giving at least sixty (60) days' prior written notice to the LLP and the Security Trustee.

Upon the Asset Monitor giving notice of resignation, the LLP shall immediately use all reasonable endeavours to appoint a replacement (such replacement to be approved by the Security Trustee unless 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 thirty (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 has also been appointed as the "Asset Pool Monitor" (as defined in the RCB Regulations) for the purposes of the RCB Regulations, as to which see further "*Description of the UK Regulated Covered Bond Regime*".

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 Initial Programme Date between the LLP, NWHL, RBS, the Liquidation Member, the Bond Trustee and the Security Trustee (the **LLP Deed**).

On 1 November 2012 NWHL novated its membership under the LLP and its rights and obligations under the LLP Deed to NatWest.

The LLP Deed was amended and restated on 6 June 2018 in order to reflect the transfer of certain elements of RBS's business to NatWest under the Ring Fencing Transfer Scheme.

Members

As at the date of this Prospectus, each of NatWest and the Liquidation Member is a member (each a **Member**, and together with any other members from time to time, the **Members**) of the LLP.

NatWest and the Liquidation Member are designated members (each a **Designated Member**, and together with any other designated members from time to time, the **Designated Members**) of the LLP. The Designated Members shall have such duties as are specified in the LLPA 2000 or otherwise at law and in the LLP Deed. The LLP Deed requires that there will at all times be at least two (2) Designated Members of the LLP.

For so long as Covered Bonds are outstanding, if an administrator or a liquidator or a bank administrator or a bank liquidator is appointed to NatWest, the Liquidation Member may, by written notice to the LLP, appoint another Member as a Designated Member or may, at its sole discretion (acting on behalf of itself and the other Members), admit a New Member to the LLP (in each case with the prior written consent of the Security Trustee).

No New Member may be otherwise appointed without the consent of the Security Trustee and the Rating Condition being satisfied.

Capital Contributions

From time to time NatWest 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 amount of Capital Contributions attributable to each of the Members shall be calculated in Sterling on each Calculation Date in accordance with the formula set out in the LLP Deed. The sum of the Capital Contribution Balances will equal 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 immediately preceding Calculation Period.

If, at any time, NatWest is acting as the Cash Manager and a Cash Manager Relevant Event occurs and is continuing, NatWest in its capacity as a Member of the LLP will:

(a) within five (5) London Business Days of the occurrence of the Cash Manager Relevant Event, notify the LLP, the Security Trustee, the Account Bank and each Covered Bond Swap Provider of such event;

(b) within ten (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 the immediately succeeding Interest Payment Date and/or payment date specified in the Covered Bond Swap which relates to such 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 five (5) London Business Days of receipt by NatWest of notification from the Cash Manager (on behalf of the LLP) that 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.

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.

Within one (1) London Business Day of receipt of such Cash Capital Contribution from NatWest (as a Member of the LLP), the LLP will (or will procure that the Cash Manager will) transfer to the relevant Deposit Account (for credit to the Coupon Payment Ledger) an amount equal to the amount of the Cash Capital Contribution received by the LLP from NatWest (in its capacity as a Member of the LLP) in respect of items (b) and (c) above.

Whilst 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 one (1) London Business Day of receipt of a Cash Capital Contribution from NatWest under (b) above; or (where either (a) there is no Required Coupon Amount Shortfall; or (b) receipt of a Cash Capital Contribution from NatWest 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; or (where neither of the foregoing applies) receipt of a Cash Capital Contribution from NatWest pursuant to Clause (c) above, the LLP will deliver an irrevocable payment instruction, instructing the Account Bank to (i) in the case of a Term Advance where no Covered Bond Swap is in place, no later than 11am (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 Conditions, make a payment from the Coupon Payment Ledger 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 (ii) 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 Coupon Payment Ledger 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 (a) (in the case of each Term Advance where a Covered Bond Swap is not in place), interest due from the LLP on the Term Advance on the next Loan Interest Payment Date and (b) (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).

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 Liquidation Member will not make any Capital Contributions to the LLP.

Capital Contributions or returns on Capital Contributions shall only be paid to Members after the LLP has paid or, as applicable, provided for all higher ranking amounts in the relevant Priority of Payments.

Asset Coverage Test

Under the terms of the LLP Deed, the LLP and NatWest (in its capacity as a Member of the LLP) must ensure that on each Calculation Date, the Aggregate Adjusted Asset Amount is 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 Aggregate Adjusted Asset Amount is less than the aggregate Principal Amount Outstanding of all Covered Bonds as calculated on the relevant Calculation Date, then the Asset Coverage Test shall be deemed to be breached and 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 or procure the sale of 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*" above) or provide Cash Capital Contributions or Substitution Assets to ensure that the Asset Coverage Test is met on the next following Calculation Date. Any such Cash Capital Contributions will form part of Available Principal Receipts.

If the Aggregate Adjusted Asset Amount is less than the aggregate Principal Amount Outstanding of all Covered Bonds on the next following Calculation Date, the Asset Coverage Test will continue to be breached and the Bond Trustee will serve an Asset Coverage Test Breach Notice on the LLP and the LLP or the Issuer shall send notice of the same pursuant to the RCB Regulations. The Bond Trustee shall revoke an Asset Coverage Test Breach Notice if, on any Calculation Date falling on or prior to the third Calculation Date following the service of an Asset Coverage Test Breach Notice, the Asset Coverage Test is subsequently satisfied and neither a Notice to Pay nor an LLP Acceleration Notice has been served.

Following service of an Asset Coverage Test Breach Notice (which remains outstanding):

(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 remains outstanding 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. On the occurrence of an Issuer Event of Default, the Bond Trustee shall give notice of the same 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:

Aggregate Adjusted Asset Amount means the amount calculated on each Calculation Date as follows:

$$A + B + C + D + E - (X + Y + Z)$$

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 the lower of (A) the actual True Balance of the relevant Loan in the Portfolio as calculated on the last day of the immediately preceding Calculation Period and (B) the Indexed Valuation relating to that Loan multiplied by M (where for all Loans that are less than three (3) months in arrears or not in arrears, M = 0.75, for all Loans that are three (3) months or more in arrears, M = 0.40),

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 during the previous Calculation Period:

(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 Loan or Loans of the relevant Borrower and its or their Related Security to the extent required by the terms of the Mortgage Sale Agreement. In this event, the aggregate Adjusted True Balance of the Loans in the Portfolio (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the Adjusted True Balance of the relevant Loan or Loans (as calculated on the last day of the immediately preceding Calculation Period) of the relevant Borrower; 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 a material term of the Servicing Agreement. In this event, the aggregate Adjusted True Balance of the Loans in the Portfolio (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the resulting financial loss incurred by the LLP in the immediately preceding Calculation Period (such financial loss to be calculated by the Cash Manager without double counting and to be reduced by any amount paid (in cash or in kind) to the LLP by the Seller or Servicer to indemnify the LLP for such financial loss); and

(ii) = the aggregate **Arrears Adjusted True Balance** of the Loans in the Portfolio which in relation to each Loan shall be the lower of (A) the actual True Balance of the relevant Loan as calculated on the last day of the immediately preceding Calculation Period and (B) the Indexed Valuation relating to that Loan multiplied by N (where for all Loans that are less than three (3) months in arrears or not in arrears, N = 1, for all Loans that are three months (3) or more in arrears, N = 0.40);

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 during the previous Calculation Period:

(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 Loan or Loans of the relevant Borrower and its or their Related Security to the extent required by the terms of the Mortgage Sale Agreement. In this event, the aggregate Arrears Adjusted True Balance of the Loans in the Portfolio (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the Arrears Adjusted True Balance of the relevant Loan or Loans (as calculated on the last day of the immediately preceding Calculation Period) of the relevant Borrower; 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 the immediately preceding Calculation Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate Arrears Adjusted True Balance of the Loans in the Portfolio (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the resulting financial loss incurred by the LLP in the immediately preceding Calculation Period (such financial loss to be calculated by the Cash Manager without double counting and to be reduced by any amount paid (in cash or in kind) to the LLP by the Seller or Servicer to indemnify the LLP for such financial loss),

the result of the calculation in this paragraph A(ii) being multiplied by the Asset Percentage (as defined below);

B = the aggregate amount of any Principal Receipts on the Loans in the Portfolio up to the end of the immediately preceding Calculation Period (as recorded in the Principal

Ledger) which have not been applied as at the relevant Calculation Date to acquire further Loans and their Related Security or otherwise applied in accordance with the LLP Deed and/or the other Transaction Documents;

C = the aggregate amount of any Cash Capital Contributions made by the Members (as recorded in the Capital Account Ledger of each Member) or proceeds of Term Advances which have not been applied as at the relevant Calculation Date to acquire further Loans and their Related Security or otherwise applied in accordance with this 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 Payments Ledger;

D = the aggregate outstanding principal balance of any Substitution Assets;

E = the amount of any Sale Proceeds standing to the credit of the relevant Deposit Account and credited to the Pre-Maturity Liquidity Ledger as at the relevant Calculation Date;

X = 8% ***multiplied by*** the Flexible Draw Capacity (as defined below) ***multiplied by*** 3;

Y = the Depositor Set-off Percentage of the aggregate True Balance of the Loans in the Portfolio, as calculated on the relevant Calculation Date; and

Z = the weighted average remaining maturity of all Covered Bonds then outstanding multiplied by the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds ***multiplied by*** the Negative Carry Factor where the **Negative Carry Factor** is (i) 0.5% if the Covered Bond Weighted Average Margin of the interest rate payable on the Covered Bonds is less than or equal to 0.1% per annum or (ii) 0.5% plus the Covered Bond Weighted Average Margin minus 0.1%, if that Covered Bond Weighted Average 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 shall be the lowest of:

(a) 90%; or

(b) such lesser percentage figure as determined from time to time in accordance with the terms of the LLP Deed, being the asset percentage that is necessary to ensure the Covered Bonds maintain the then current rating assigned to them by Fitch; or

(c) such lesser percentage figure most recently selected by the LLP (or the Cash Manager acting on its behalf) and notified to Moody's and the Security Trustee in accordance with the terms of the LLP Deed, being the percentage figure that is necessary for the Covered Bonds to achieve an 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).

Notwithstanding the above, the Asset Percentage may not, at any time, exceed 90% unless a Rating Agency Confirmation has been obtained.

There is no obligation on the LLP to ensure that an 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 retain an Aaa rating by Moody's, using Moody's expected loss methodology.

Covered Bond Weighted Average Margin means the weighted average of (a) where a Series of Covered Bonds does not have a Covered Bond Swap in place, the margin payable on such Covered Bonds of each Series and (b) where a Series of Covered Bonds does have a Covered Bond Swap in place, the margin payable by the LLP to the relevant Covered Bond Swap Provider in respect of each such Series of Covered Bonds.

Depositor Set-off Percentage means the percentage most recently notified to the Rating Agencies in accordance with the LLP Deed.

Flexible Draw Capacity means the amount equal to the difference between (a) the maximum amount that borrowers may draw under Flexible Loans included in the Portfolio (whether or not drawn) and (b) the aggregate Outstanding Principal Amount in respect of Flexible Loans in the Portfolio on the relevant Calculation Date.

Amortisation Test

The LLP 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 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.

Following service of Notice to Pay on the LLP, if on any Calculation Date the Amortisation Test Aggregate Loan Amount is less than the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as 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 (a) the actual True Balance of the relevant Loan as calculated on the last day of the immediately preceding Calculation Period multiplied by M and (b) 100% of the Indexed Valuation multiplied by M (where for all the Loans that are less than three (3) months in arrears or not in arrears M = 1 or for all the Loans that are three (3) 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 (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).

Sale of Selected Loans and their Related Security if the Pre-Maturity Test is failed

The LLP Deed provides for sales of Selected Loans and their Related Security in circumstances where the Pre-Maturity Test has been failed. The Pre-Maturity Test will be failed if the ratings of the Issuer fall below a specified level and a Hard Bullet Covered Bond is due for repayment within a specified period of time thereafter (see further the section of this Prospectus entitled "*Credit Structure – Pre-Maturity Liquidity*" below). The LLP will be obliged to sell the Selected Loans and their Related Security to Purchasers, subject to the rights of pre-emption enjoyed by the Seller to buy the Selected Loans and their Related Security pursuant to the terms of the Mortgage Sale Agreement, in accordance with the procedure summarised in "*Method of Sale of Selected Loans*" below, and subject to any Cash Capital Contribution made by the Members. If the Issuer fails to repay any Series of Hard Bullet Covered Bonds on the Final Maturity Date thereof, then, following the service of a Notice to Pay on the LLP, the proceeds from any sale of Selected Loans or the Cash Capital Contributions standing to the credit of the Pre-Maturity Liquidity Ledger will be applied to repay the relevant Series of Hard Bullet Covered Bonds. Otherwise, the proceeds will be applied as set out in the section of this Prospectus entitled "*Credit Structure – Pre-Maturity Liquidity*" below.

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 on the LLP (which remains outstanding) but prior to the service of a Notice to Pay and/or an LLP Acceleration Notice on the LLP, and/or the commencement of winding-up proceedings against the LLP and/or the realisation of the Security, the LLP will be, taking into account any Cash Capital Contributions made by the Members, 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 relevant Deposit Account 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 relevant Deposit Account 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 the failure of the Pre-Maturity Test, the service of an Asset Coverage Test Breach Notice (if it remains outstanding) or service of 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:

(i) 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 plus the Arrears of Interest and Accrued Interest thereon, the Asset Coverage Test would be satisfied on the next Calculation Date taking into account the payment obligations of the LLP on the Payment Date following that Calculation Date (assuming for this purpose that the Asset Coverage Test Breach Notice remains outstanding on the next Calculation Date); or

(ii) following a failure of the Pre-Maturity Test or 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:

(A) in respect of Selected Loans and their Related Security being sold following a failure of the Pre-Maturity Test, the Sterling Equivalent of the Required Redemption Amount of the relevant Series of Hard Bullet Covered Bonds less amounts standing to the credit of the Pre-Maturity Liquidity Ledger that are not otherwise required to provide liquidity for any Series of Hard Bullet Covered Bonds which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds; or

(B) in all other cases, 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 Substitution Assets or 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).

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:

(a) following the service of an Asset Coverage Test Breach Notice (but prior to service of a Notice to Pay), for an amount not less than the True Balance of the Selected Loans; and

(b) following a failure of the Pre-Maturity Test or the 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 have not been sold (in whole or in part) in an amount not less than the Adjusted Required Redemption Amount by the date which is six (6) months prior to, as applicable, (i) in respect of Earliest Maturing Covered Bonds that are not subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee, the Final Maturity Date of the Earliest Maturing Covered Bonds; (ii) in respect of a sale in connection with the

Pre-Maturity Test, the Final Maturity Date of the relevant Series of Hard Bullet Covered Bonds; or, in respect of the Earliest Maturing Covered Bonds that 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, 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 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 right 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.

The LLP is also permitted to offer for sale to Purchasers a Partial Portfolio. Where a Notice to Pay has been served, except in circumstances where the portfolio of Selected Loans is being sold within six (6) months of, as applicable, the Final Maturity Date of the Earliest Maturing Covered Bonds or, 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, 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 on a basis intended to incentivise the portfolio manager to achieve the best price for the sale of the Selected Loans (if such terms are commercially available in the market) and to advise it in relation to the sale of the Selected Loans to Purchasers (except where the Seller is buying the Selected Loans in accordance with its right of pre-emption in the Mortgage Sale Agreement). The terms of the agreement giving effect to the appointment in accordance with such tender shall be approved by the Security Trustee.

In respect of any sale of Selected Loans and their Related Security following service of an Asset Coverage Test Breach Notice (if it remains outstanding) or a Notice to Pay or in respect of a breach of the Pre-Maturity Test, the LLP will instruct the portfolio manager to use all reasonable endeavours to procure that Selected Loans are sold as quickly as reasonably practicable (in accordance with the recommendations of the portfolio manager) taking into account the market conditions at that time and, where relevant, the scheduled repayment dates of the Covered Bonds and the terms of the LLP Deed.

The terms of any sale and purchase agreement with respect to the sale of Selected Loans (which shall give effect to the recommendations of the portfolio manager) will be subject to the prior written approval of the Security Trustee. The Security Trustee will not be required to release the Selected Loans from the Security unless the conditions relating to the release of the Security (as described under – *Deed of Charge – Release of Security* below) are satisfied.

Following 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 and their Related Security shall be sold prior to the Final Maturity Date of the Earliest Maturing Covered Bonds or the Hard Bullet Covered Bonds or, 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, 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 representations and warranties from the LLP or the Seller in respect of the Loans and their Related Security unless expressly agreed by the Security Trustee or otherwise agreed with the LLP and 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, create or permit to arise any security interest on, declare a trust over, create any beneficial interest in or otherwise dispose of its interest in the LLP without the prior written consent of the LLP and, whilst the Covered Bonds are outstanding, the Security Trustee. Whilst any amounts are outstanding in respect of the Covered Bonds, each of the Members undertakes not to terminate or purport to terminate the LLP Deed or institute any winding-up, administration, insolvency or similar proceedings against the LLP.

The LLP covenants that it will not, save with the prior written consent of the LLP Management Committee (and, for so long as any Covered Bonds are outstanding, the consent of the Security Trustee) or as envisaged by the Transaction Documents:

(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 Transaction Documents;

(h) engage in any activities or derive income from any activities within the United States 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;

(i) enter into any contracts, agreements or other undertakings;

(j) compromise, compound or release any debt due to it;

(k) commence, defend, settle or compromise any litigation or other claims relating to it or any of its assets; or

(l) be a member of any VAT Group.

The LLP and each of the Members further covenants that from and including the date on which the Issuer is admitted to the register of issuers pursuant to Regulation 14 of the RCB Regulations (if applicable) 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.

Limit on Investing in Substitution Assets

Prior to the service of an Asset Coverage Test Breach Notice (if it remains outstanding) 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% 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 and the RCB Regulations, as applicable. 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 it remains outstanding) 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 relevant Deposit 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.

Other Provisions

The allocation and distribution of Revenue Receipts, Principal Receipts and all other amounts received by the LLP is described under the section of this Prospectus entitled "*Cashflows*" below.

The LLP Management Committee, comprised as at the date of this Prospectus of directors, officers and/or employees of NatWest and the Liquidation Member, will act on behalf of the LLP to which (other than any decision to approve the audited accounts of the LLP or to make a resolution for the voluntary winding-up of the LLP, which require a unanimous decision of the Members) the Members delegate all matters. Any decision by the 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 Security Trustee.

For so long as any Covered Bonds are outstanding, each Member has agreed that it will not terminate or purport to terminate the LLP or institute any winding-up, administration, insolvency or other similar proceedings against the LLP. Furthermore, the Members have agreed *inter alia* not to demand or receive payment of any amounts payable by the LLP (or the Cash Manager on its behalf) or the Security Trustee unless all amounts then due and payable by the LLP to all other creditors ranking higher in the relevant Priorities of Payments have been paid in full.

Each Member will be responsible for the payment of its own tax liabilities and will be required to indemnify the LLP and the other Members from any liabilities which they incur as a result of the relevant Member's non-payment.

Following the appointment of a liquidator to any Member or a bank liquidator to NatWest, any decisions of the LLP that are reserved to the Members in the LLP Deed shall be made by the Liquidation Member 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 Initial Programme Date and as amended and restated on 19 December 2014, 10 July 2015 and 6 June 2018 (and subsequently amended and restated from time to time) between the LLP, RBS in its capacity as the Cash Manager and the Security Trustee. The Cash Management Agreement was amended and restated on 6 June 2018 in order to reflect the transfer of certain elements of RBS's business to NatWest under the Ring Fencing Transfer Scheme.

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 Payment 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) on each London Business Day, determining whether the Pre-Maturity Test for each Series of Hard Bullet Covered Bonds is satisfied, as more fully described under "*Credit Structure – Pre-Maturity Liquidity*" below;

(h) providing 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 in accordance with the RCB Regulations;

(i) preparation of Investor Reports for the Covered Bondholders, the Rating Agencies and the Bond Trustee;

(j) 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; and

(k) the establishment and operation of any Swap Collateral Account and the maintenance of any ledgers connected therewith and the liquidation of any non-cash swap collateral on the occurrence of an event of default under the relevant swap agreement.

Back-up Cash Management Agreement

The Cash Manager and the LLP covenant 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 Baa3 or by Fitch of at least BBB- (a **Back-Up Cash Manager Event**), they will use best endeavours (with, in the case of the LLP, the assistance of the Back-Up Cash Manager Facilitator) to identify and appoint a suitable third party to act as back-up or stand-by cash manager to the Cash Manager and to undertake back-up cash management services to the LLP within sixty (60) days of such Back-Up Cash Manager Event.

The Cash Manager and the LLP covenant that they will use best endeavours to procure that the agreement appointing the Back-Up Cash Manager contains an undertaking from the Back-Up Cash Manager that it will commence performing cash management services to the LLP upon the earlier to occur of (a) the date falling thirty (30) days following the date on which the Cash Manager ceases to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Ba2 or by Fitch of at least BB (a **Rating Event**) and (b) the termination of the Cash Manager as cash manager pursuant to the termination clause in the Cash Management Agreement (a **Cash Manager Termination**). For the avoidance of doubt, if after using reasonable endeavours to identify and appoint a back-up cash manager, the Cash Manager and the LLP are unable to find a suitable third party willing to act as a back-up cash manager, this shall not be a breach of the provisions stated above.

Any Back-Up Cash Manager appointed on or after a Back-Up Cash Manager Event will be paid a fee with regard to the services it performs as agreed separately between the Issuer and the Back-Up Cash Manager (the **Back-Up Cash Manager Fee**). The amount of the Back-Up Cash Manager Fee will be added to the fees and costs that are payable to the Cash Manager in accordance with the relevant Priorities of Payment and this Agreement, and the Cash Manager shall promptly, following receipt of such amount, pay the Back-Up Cash Manager Fee to the Back-Up Cash Manager or direct the LLP to pay such amounts directly to the Back-Up Cash Manager.

Back-up Cash Manager Facilitator

The LLP has appointed the Back-Up Cash Manager Facilitator as its agent, following the earlier to occur of a Back-Up Cash Manager Event and a Cash Manager Termination, in conjunction with the Cash Manager or, as applicable, the LLP, use best endeavours to identify, on behalf of the LLP, a suitable entity to provide, in the case of a Cash Manager Termination, cash management services to the LLP or, in the case of a Back-Up Cash Manager Event, back-up or stand-by cash management services to the Cash Manager in accordance with the terms of the Cash Management Agreement.

In certain circumstances the LLP and the Security Trustee will each have the right to terminate the appointment of the Cash Manager in which event the LLP will appoint a substitute (the identity of which will be subject to the Security Trustee's written approval). Any replacement cash manager should enter into an agreement on substantially the same terms as the Cash Management Agreement, provided that the LLP or the Cash Manager (acting on its behalf) determines there is not a substitute cash manager that which is willing to enter into a replacement cash management agreement with terms substantially similar to those set out in this Agreement for a commercially reasonable fee taking into account prevailing market conditions, a replacement agreement may be entered into on reasonable commercial terms taking into account the then prevailing market conditions if the LLP or the Cash Manager certifies in writing to the Bond Trustee and the Security Trustee that the terms upon which it is proposed the back-up, stand-by or replacement cash manager will be appointed are reasonable commercial terms taking into account the then prevailing current market conditions.

The Cash Management Agreement is governed by English law.

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 Standard Variable Rate or linked to an interest rate other than the Seller 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, where a Covered Bond Swap is not in place, the relevant Term Advance (prior to the service of a Notice to Pay on the LLP) and under the Covered Bond Guarantee (after the service of a Notice to Pay on the LLP) are based on LIBOR for one month Sterling deposits. To provide a hedge against the possible variance between:

(a) the rates of interest payable on the Loans in the Portfolio; and

(b) LIBOR for one month Sterling deposits,

the LLP, the Interest Rate Swap Provider and the Security Trustee have entered into the Interest Rate Swap Agreement on the Initial Programme Date.

The notional amount of the Interest Rate Swaps entered into under the Interest Rate Swap Agreement will be the aggregate principal amount outstanding in the Portfolio in respect of the Calculation Period ending immediately prior to the relevant Interest Rate Swap payment date of the performing Loans in the Portfolio to which such Interest Rate Swap relates.

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 such ratings as are required to ensure that the then current rating of the Covered Bonds would not be downgraded, procuring another entity with rating(s) required by the relevant Rating Agency to become co-obligor in respect of its obligations, 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 Swaps.

Where the Interest Rate Swap Provider is required to post collateral in respect of its obligations under the Interest Rate Swap Agreement, any collateral can be posted in either cash or securities, provided that any collateral posted in cash should be posted to an account in the name of the LLP, held with a credit institution that has the requisite ratings.

The Interest Rate Swaps may also be terminated in certain other circumstances (each referred to as an **Interest Rate Swap Early Termination Event**), including, but not limited to:

- at the option of either 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 Swaps (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 Swaps, 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;

- upon the merger of the Interest Rate Swap Provider without an assumption of all of its obligations under the Interest Rate Swap Agreement;

- in certain circumstances, if a deduction or withholding for or an account of taxes is imposed on payments under an Interest Rate Swap;

- upon the service by the Bond Trustee of an LLP Acceleration Notice on the LLP and the Issuer; or

- the redemption and/or cancellation of the related Series or Tranche of Covered Bonds.

Upon the termination of an Interest Rate Swap pursuant to an Interest Rate Swap Early Termination Event, the LLP or the Interest Rate Swap Provider may be liable to make a termination payment to the other in accordance with the provisions of the Interest Rate Swap Agreement.

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 partially terminate and any breakage costs payable by or to the LLP in connection with such termination will be taken into account in calculating the Adjusted Required Redemption Amount for the sale of the Selected 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.

The Interest Rate Swap Agreement is governed by English law.

Covered Bond Swap Agreements

In respect of each Series of Covered Bonds the LLP may enter into one or more Covered Bond Swaps with one or more Covered Bond Swap Providers and the Security Trustee. Each Covered Bond Swap will provide a hedge against certain interest rate and/or currency risks in respect of amounts received by the LLP under the Loans and the Interest Rate Swaps and amounts payable by the LLP under the Intercompany Loan Agreement (prior to the service of a Notice to Pay on the LLP or an LLP Acceleration Notice) and under the Covered Bond Guarantee in respect of Covered Bonds (after the service of a Notice to Pay on the LLP or an LLP Acceleration Notice).

Where required to hedge such risks, there will be one (1) (or more) Covered Bond Swap(s) in relation to each Series or Tranche, as applicable, of Covered Bonds, governed by a Covered Bond Swap Agreement. Where a Series or a Tranche of Covered Bonds is denominated in a currency other than Sterling, 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) on the relevant Issue Date and in return the Covered Bond Swap Provider will pay to the LLP 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 in the relevant Specified Currency and/or calculated with reference to the relevant interest basis 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 or the Covered Bond Guarantee in respect of interest and (where applicable) principal payable under the relevant Series or Tranche of Covered Bonds. In return, the LLP will pay to the Covered Bond Swap Provider on each LLP Payment Date an amount in Sterling calculated by reference to LIBOR for one month Sterling deposits for the relevant Interest 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, as applicable. Where both payments under a Covered Bonds Swap Agreement are to be made in Sterling, a net amount or no amount will be paid either to or by the LLP under the relevant Covered Bond Swap Agreement.

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 to 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 6(f), (if required) the Covered Bond Swap Provider will pay the LLP such amount (or the relevant portion thereof) and the LLP will pay the Covered Bond Swap Provider the Sterling Equivalent thereof, following which the notional amount of the relevant Covered Bond Swaps will reduce accordingly.

Each Covered Bond Swap will terminate on the Final Maturity Date of the related Series or Tranche of Covered Bonds or, if the LLP notifies the Covered Bond Swap Provider prior to such 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 of the related Series or Tranche of Covered Bonds is paid (but in any event not later than the Extended Due for Payment Date).

Under the terms of each Covered Bond Swap Agreement, in the event that the relevant rating of the Covered Bond Swap Provider is downgraded by a Rating Agency below the rating(s) specified in the relevant Covered Bond Swap Agreement (in accordance with the requirements of that Rating Agency) 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.

Where the relevant Covered Bond Swap Provider is required to post collateral in respect of its obligations under the relevant Covered Bond Swap Agreement, any collateral can be posted in either cash or securities, provided that any collateral posted in cash should be posted to an account in the name of the LLP, held with a credit institution that has the requisite ratings.

A Covered Bond Swap may also be terminated in certain other circumstances (each referred to as a **Covered Bond Swap Early Termination Event**), including:

- at the option of either 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 (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, 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;

- upon the merger of the Covered Bond Swap Provider without an assumption of all of its obligations under the relevant Covered Bond Swap Agreement;

- in certain circumstances, if a deduction or withholding for or an account of taxes is imposed on payments under a Covered Bond Swap;

- upon the service by the Bond Trustee of an LLP Acceleration Notice on the LLP and the Issuer; or

- the redemption and/or cancellation of the related Series or Tranche of Covered Bonds.

Upon the termination of a Covered Bond Swap Agreement, the LLP or the relevant Covered Bond Swap Provider may be liable to make a termination payment to the other in accordance with the provisions of the relevant Covered Bond Swap Agreement. The amount of this termination payment will be calculated and made in Sterling.

Any termination payment made by the Covered Bond Swap Provider to the LLP in respect of a Covered Bond Swap Agreement will first be used to the extent necessary (prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security) to pay a replacement Covered Bond Swap Provider (or replacement Covered Bond Swap Providers) to enter into a replacement Covered Bond Swap with the LLP, unless a replacement Covered Bond Swap (or replacement Covered Bond Swaps) has already been entered into on behalf of the LLP. Any premium received by the LLP from a replacement Covered Bond Swap Provider in respect of a replacement Covered Bond Swap will first be used to make any termination payment due and payable by the LLP with respect to the previous Covered Bond Swap Agreement, unless such termination payment has already been made on behalf of the LLP.

Any Swap Collateral Excluded Amounts will be paid to the Covered Bond Swap Provider directly and not via the Priorities of Payments.

If withholding taxes are imposed on payments made by any Covered Bond Swap Provider to the LLP under a Covered Bond Swap Agreement, such Covered Bond Swap Provider shall always be obliged to gross up those payments. If withholding taxes are imposed on payments made by the LLP to the Covered Bond Swap Provider under a Covered Bond Swap Agreement, the LLP shall not be obliged to gross up those payments.

In the event that the Covered Bonds are redeemed and/or cancelled in accordance with the Conditions (other than in accordance with Condition 6(a)), 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:

(a) the Adjustment Required Redemption Amount for the Sale of Selected Loans; and

(b) 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. 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 are governed by English law.

Bank Account Agreement

The Bank Account Agreement was entered into on the Initial Programme Date and has subsequently been amended and restated from time to time and is made between the LLP, the Account Bank, the Cash Manager and the Security Trustee. The Bank Account Agreement was amended and restated on 6 June 2018 in order to reflect the transfer of certain elements of RBS's business to NatWest under the Ring Fencing Transfer Scheme.

Pursuant to the terms of the Bank Account Agreement, the LLP will maintain with the Account Bank the accounts described below, which will be operated in accordance with the Bank Account Agreement, Cash Management Agreement, the LLP Deed and the Deed of Charge:

(a) the relevant Deposit 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; and

(b) the Transaction Account. Monies standing to the credit of the relevant Deposit 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 the section of this Prospectus entitled "*Cashflows*".

The Account Bank will open and maintain in its books, in the name of the LLP in respect of each Deposit Account, a term deposit sub-account (each a relevant **Term Deposit Sub-account**) and a general deposit sub-account (each a relevant **General Deposit Sub-account**). The Account Bank will accept each deposit of funds made by or on behalf of the LLP to the relevant Deposit Account on the basis that such funds shall be credited to the relevant General Deposit Sub-account on the date of receipt and shall be transferred to the relevant Term Deposit Sub-account and made available on the immediately succeeding Business Day, provided always that any funds credited to the General Deposit Sub-account on the Business Day immediately preceding an LLP Payment Date shall not be transferred to the Term Deposit Sub-account and made available until the Business Day immediately following the relevant LLP Payment Date.

If the short-term, unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank cease to be rated at least F1 by Fitch and the long-term, unsecured, unsubordinated and unguaranteed

debt obligations cease rating at least A3 by Moody's and A by Fitch or such other lower rating as is required to maintain the then current rating of the Covered Bonds (the **Account Bank Ratings**) then either:

- the relevant Deposit Account and the Transaction Account will be closed and all amounts standing to the credit thereof shall be transferred to accounts held with a bank whose short-term and long-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least the Account Bank Ratings; 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 and long-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least the Account Bank Ratings.

In the event the relevant Deposit Account and the Transaction Account are closed and a replacement account or accounts are opened with a replacement account bank, the Account Bank will use reasonable endeavours to ensure that the replacement relevant Deposit Account is an interest bearing account and do so in consultation with the Cash Manager.

From time to time, the LLP shall be required to open other accounts or replacement accounts designated as Deposit Accounts, Transaction Accounts or Swap Collateral Accounts with the Account Bank or a replacement account bank subject to and in accordance with the terms of the Bank Account Agreement and the other Transaction Documents and may, if it considers it to be necessary or desirable, open additional accounts with one or more additional account banks, and/or additional swap collateral account banks in accordance with the terms of the Transaction Documents.

The Bank Account Agreement is governed by English law.

Swap Collateral Account Bank Agreement

Pursuant to the terms of the Swap Collateral Account Bank Agreement, the LLP will maintain the Swap Collateral Accounts (being cash and/or security accounts) in the name of the LLP with the Swap Collateral Account Bank. The LLP may open further or additional Swap Collateral Accounts from time to time.

The LLP or the Cash Manager may terminate the relevant Swap Collateral Account Bank Agreement if the short-term or long-term unsecured, unsubordinated and unguaranteed debt obligations of the Swap Collateral Account Bank fall below the Account Bank Ratings (or such other short-term or long term rating which would not affect the then current rating of the Covered Bonds).

Corporate Services Agreement

The LLP, the Liquidation Member and Holdings have entered into a Corporate Services Agreement with, *inter alios*, Intertrust Management Limited (formerly known as Structured Finance Management Limited), (as Corporate Services Provider) on the Initial Programme Date, and was subsequently amended and restated from time to time.

Pursuant to the terms of the Corporate Services Agreement, the Corporate Services Provider has agreed to provide corporate services to the Liquidation Member and Holdings respectively.

The Corporate Services Agreement is governed by English law.

Deed of Charge

Pursuant to the terms of the Deed of Charge entered into on the Initial Programme Date as amended (and as supplemented from time to time) by the LLP, the Security Trustee and the other Secured Creditors, 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 and their Related Security and other related rights comprised in the Portfolio;

(b) a first ranking assignation in security of the LLP's interest in the Scottish Loans and their Related Security and other related rights comprised in the Portfolio (comprising the LLP's beneficial interest under the trusts declared by the Seller pursuant to the Scottish Declarations of Trust);

(c) an assignment by way of first fixed charge over the rights of the LLP in and to the Insurance Policies;

(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(s) and Covered Bond Swap Agreement(s), 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 undertakings of the LLP (including the assets and undertakings of the LLP located in Scotland or governed by Scots law).

In respect of the property, rights and assets referred to in paragraph (b) above, fixed security will be created over such property, rights and assets sold to the LLP on or after the Initial Programme Date by means of Scottish Supplemental Charges 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 (other than any repurchase by the Seller), the Security Trustee will release those Loans from the Security created by and pursuant to the Deed of Charge on the date of such sale but only if:

(a) in the case of the sale of Selected Loans, the Security Trustee provides its prior written consent to the terms of such sale as described under "*LLP Deed – Method of Sale of Selected Loans*" above; and

(b) the sale is in accordance with the Transaction Documents and, in the case of the sale of Selected Loans, the LLP provides to the Security Trustee a certificate confirming that the Selected Loans being sold have been selected on a random basis.

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, that Loan will be automatically released from the Security created by and pursuant to the Deed of Charge on the date of the repurchase or payment by the Seller of the relevant purchase price.

Enforcement

If an LLP Acceleration Notice is served on the LLP, the Bond Trustee will be entitled to direct the Security Trustee to appoint a Receiver, and/or enforce the Security constituted by the Deed of Charge (including selling all or part of the Portfolio), and/or take such steps as it shall deem necessary, subject in each case to the Bond Trustee and the Security Trustee each being indemnified and/or secured to its satisfaction. All proceeds received by the Security Trustee from the enforcement or realisation of the Security will be applied in accordance with the Post-Enforcement Priority of Payments described under "*Cashflows*".

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 (b) above which is governed by Scots law).

CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured, unconditional and unsubordinated 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 and 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 Pre-Maturity Test is intended to provide liquidity to the LLP in respect of principal due on the Final Maturity Date of Hard Bullet Covered Bonds;
- 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 NatWest's short-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least F1+ by Fitch and P-1 by Moody's) will be established in the relevant Deposit Account to trap Available Revenue Receipts;
- under the terms of the Cash Management Agreement, the Cash Manager agreed to invest funds standing to the credit of the relevant Deposit Account (except to the extent required for payment of any amount pursuant to the Priorities of Payment) in Authorised Investments with a view to earning a rate of return on such funds at least equal to LIBOR for one month Sterling deposits; 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 well 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.

Covered Bond 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(a) 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 the section of this Prospectus entitled "*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.

Pre-Maturity Liquidity

Certain Series of Covered Bonds are scheduled to be redeemed in full on the Final Maturity Date therefor without any provision for scheduled redemption other than on the Final Maturity Date (the **Hard Bullet Covered Bonds**). The applicable Final Terms will identify whether any Series of Covered Bonds is a Series of Hard Bullet Covered Bonds. The **Pre-Maturity Test** is intended to provide liquidity for the Hard Bullet Covered Bonds when the Issuer's credit ratings fall below a certain level. On each London Business Day (each a **Pre-Maturity Test Date**) prior to the occurrence of an Issuer Event of Default or the occurrence of an LLP Event of Default, the LLP or the Cash Manager on its behalf will determine if the Pre-Maturity Test has failed, and if so, it shall immediately notify the Members and the Security Trustee thereof.

The Issuer will fail and be in breach of the Pre-Maturity Test on a Pre-Maturity Test Date if:

(a) the Issuer's (i) long-term credit rating from Moody's is A2 (or lower) (or such higher rating as is notified by the Issuer to Moody's and the Security Trustee from time to time) and the Final Maturity Date of the Series of Hard Bullet Covered Bonds occurs within twelve (12) months (or such longer period as is notified by the Issuer to Moody's and the Security Trustee from time to time) of the relevant Pre-Maturity Test Date or (ii) short-term credit rating from Moody's is P-1 (or lower) and the Final Maturity Date of the Series of Hard Bullet Covered Bonds occurs within twelve (12) months (or such longer period as is notified by the Issuer to Moody's and the Security Trustee from time to time) of the relevant Pre-Maturity Test Date; or

(b) the Issuer's short-term credit rating from Fitch is F1 (or lower) (or such higher rating as is notified by the Issuer to Fitch and the Security Trustee from time to time) and the Final Maturity Date of the Series of Hard Bullet Covered Bonds occurs within twelve (12) months (or such longer period as is notified by the Issuer to Fitch and the Security Trustee from time to time) of the relevant Pre-Maturity Test Date.

Following a failure of the Pre-Maturity Test in respect of a Series of Hard Bullet Covered Bonds, the LLP shall offer to sell Selected Loans and their Related Security to Purchasers (subject to any right of pre-emption enjoyed by the Seller pursuant to the Mortgage Sale Agreement and to any Cash Capital Contributions made by NatWest (in its capacity as a member of the LLP)) with the intention that there will be an amount standing to the credit of the Pre-Maturity Liquidity Ledger at least equal to the Required Redemption Amount of that Series of Hard Bullet Covered Bonds (taking into account the Required Redemption Amount of all other Series of Hard Bullet Covered Bonds which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds).

In certain circumstances, Revenue Receipts will also be available to repay a Hard Bullet Covered Bond, as described in "*Cashflows – Pre-Acceleration Revenue Priority of Payments*" below.

Failure by the Issuer to pay the full amount due in respect of a Series of Hard Bullet Covered Bonds on the Final Maturity Date thereof will constitute an Issuer Event of Default. Following service of a Notice to Pay on the LLP, the LLP shall apply funds standing to the Pre-Maturity Liquidity Ledger to repay the relevant Series of Hard Bullet Covered Bonds.

If the Issuer and/or the Guarantor fully repay the relevant Series of Hard Bullet Covered Bonds on the Final Maturity Date thereof, cash standing to the credit of the Pre-Maturity Liquidity Ledger on the relevant Deposit Account shall be applied by the LLP in accordance with the Pre-Acceleration Principal Priority of Payments, unless:

(a) the Issuer is failing the Pre-Maturity Test in respect of any other Series of Hard Bullet Covered Bonds, in which case amounts shall remain credited on the Pre-Maturity Liquidity Ledger to the extent required to provide liquidity for that other Series of Hard Bullet Covered Bonds; or

(b) the Issuer is not failing the Pre-Maturity Test, but the Management Committee elects to retain the amounts on the Pre-Maturity Liquidity Ledger in order to provide liquidity for any future Series of Hard Bullet Covered Bonds.

Amounts standing to the credit of the Pre-Maturity Liquidity Ledger following the repayment of the Hard Bullet Covered Bonds as described above may, except where the Management Committee has elected or is required to retain such amounts on the Pre-Maturity Liquidity Ledger, also be used to repay the corresponding Term Advance and distribute any excess Available Principal Receipts back to the Members on dates other than LLP Payment Dates, subject to the LLP making provision for higher ranking items in the Pre-Acceleration Principal Priority of Payments.

Asset Coverage Test

The Asset Coverage Test is intended to ensure that the LLP can meet its obligations under the Covered Bond Guarantee and senior ranking expenses which will include costs relating to the maintenance, administration and winding-up of the Asset Pool whilst the Covered Bonds are outstanding. Under the LLP Deed, the LLP and NatWest (in its capacity as a Member of the LLP) must ensure that on each Calculation Date the Aggregate Adjusted Asset 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 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 accounts held with NatWest and failure by a Seller, in accordance with the Mortgage Sale Agreement, to repurchase Loans that do not materially comply with the Representations and Warranties on the relevant Transfer Date.

See further the section of this Prospectus entitled "*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 remains outstanding on or before the third Calculation Date after service of such Asset Coverage Test Breach Notice, then an Issuer Event of Default shall occur and the Bond Trustee shall be entitled (and, in certain circumstances, may be required) to serve an Issuer Acceleration Notice. Following service of an Issuer Acceleration Notice, the Bond Trustee must serve a Notice to Pay on the LLP.

The Issuer is additionally required to ensure that the principal amount of the eligible property in the Asset Pool is greater than 108% of the Principal Amount Outstanding of the Covered Bonds in

accordance with the terms of the RCB Regulations. See further "*Description of the UK Regulated Covered Bond Regime*" below.

Amortisation Test

The Amortisation Test is intended to ensure that if, following an Issuer Event of Default, service of an Issuer Acceleration Notice on the Issuer and the service of a Notice to Pay on the LLP (but prior to service on the LLP of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security), the 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 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 be required (unless NatWest's short term unsecured, unsubordinated and unguaranteed debt obligations are rated at least F1+ by Fitch and P-1 by Moody's) to establish the Reserve Fund on the relevant Deposit 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.

A Reserve Ledger will be maintained by the Cash Manager to record the balance from time to time of the Reserve Fund. Following the occurrence of an Issuer Event of Default and service of a Notice to Pay on the LLP, amounts standing to the credit of the Reserve Fund will be added to certain other income of the LLP in calculating Available Revenue Receipts.

Coupon Payment Ledger

If a Cash Manager Relevant Event occurs and is continuing, NatWest in its capacity as a Member of the LLP will (a) within ten (10) London Business Days of the occurrence of the Cash Manager Relevant Event and, (b) thereafter, if a Required Coupon Amount Shortfall exists, within five (5) London Business Days 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.

Whilst 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 one (1) London Business Day of receipt of a Cash Capital Contribution from NatWest, the LLP will (or shall procure that the Cash Manager will) credit the Coupon Payment Ledger with an amount equal to such Cash Capital Contribution.

Within one (1) London Business Day of receipt of a Cash Capital Contribution from NatWest or, (where either (a) there is no Required Coupon Amount Shortfall or (b) receipt of a Cash Capital Contribution from NatWest 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, instructing the Account Bank to (i) in the case of a Term Advance where no Covered Bond Swap is in place, no later than 11:00 am (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 Conditions, make a payment from the Coupon Payment Ledger 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 (ii) 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 Coupon Payment Ledger 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;

(b) following service of an Asset Coverage Test Breach Notice (and for so long as it remains outstanding);

(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 relevant Deposit Account, or no payment shall be made at all if such payment is expressed to be from the relevant Deposit Account to the Transaction Account.

LLP Payment Dates will occur monthly.

Allocation and distribution of Available Revenue Receipts prior to the service of an Asset Coverage Test Breach Notice which remains outstanding, 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 of an Asset Coverage Test Breach Notice which remains outstanding, a Notice to Pay or an LLP Acceleration Notice on the LLP and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, Available Revenue Receipts will be allocated and distributed as described below.

On the Calculation Date immediately preceding each LLP Payment Date, the LLP or the Cash Manager on its behalf shall calculate the amount of Available Revenue Receipts available for distribution on the immediately following LLP Payment Date, the Reserve Fund Required Amount, the Required Coupon Amount and the Required Coupon Amount Shortfall (if any) (in each case, if applicable).

If the Pre-Maturity Test has failed in respect of a Series of Hard Bullet Covered Bonds, on each Calculation Date falling in the eleven (11) months prior to the Final Maturity Date of the relevant Series of Hard Bullet Covered Bonds the LLP or the Cash Manager on its behalf shall calculate whether or not the amount standing to the credit of the Pre-Maturity Liquidity Ledger on that Calculation Date is less than the Required Redemption Amount for that Series of Hard Bullet Covered Bonds (taking into account the Required Redemption Amount of any other Series of Hard Bullet Covered Bonds which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds).

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 relevant Deposit Account to the 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) and (b) the amount of Available Revenue Receipts standing to the credit of the relevant Deposit Account.

Prior to service of an Asset Coverage Test Breach Notice which remains outstanding, a Notice to Pay or service of an LLP Acceleration Notice on the LLP 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 or on behalf of the LLP 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 (b) and (c) below 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 or provisions of a higher priority have been made in full):

(a) *first*, in or towards satisfaction of any remuneration then due and payable to the Security Trustee and any costs, charges, liabilities and expenses then due or to become due and payable to the Security Trustee in the immediately succeeding LLP Payment Period under the provisions of the Deed of Charge together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein;

(b) *second*, in or towards satisfaction of any amounts due and payable by the LLP to third parties and incurred without breach by the LLP of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere in the relevant Priorities of Payments) and to provide for any such amounts expected to become due and payable by the LLP in the immediately succeeding LLP Payment Period and to pay and discharge any liability of the LLP for taxes;

(c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(ii) 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 (including, without limitation, any amounts payable by the Servicer to any stand-by or back-up servicer appointed pursuant to the terms of the Servicing Agreement) under the provisions of the Servicing Agreement in the immediately succeeding LLP Payment Period, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(iii) 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 (including, without limitation, any amounts payable by the Cash Manager to any stand-by or back-up cash manager appointed pursuant to the terms of the Cash Management Agreement) under the provisions of the Cash Management Agreement in the immediately succeeding LLP Payment Period, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(iv) any remuneration then due and payable to the Account Bank and any costs, charges, liabilities and expenses then due or to become due and payable to the Account Bank pursuant to the terms of the Bank Account Agreement in the immediately succeeding

LLP Payment Period, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(v) any remuneration then due and payable to the Corporate Services Provider and any costs, charges, liabilities and expenses then due or to become due and payable to the Corporate Services Provider under the provisions of the Corporate Services Agreement in the immediately succeeding LLP Payment Period, together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and

(vi) any remuneration then due and payable to the Asset Monitor and any costs, charges, liabilities and expenses then due or to become due and payable to the Asset Monitor under the provisions of the Asset Monitor Agreement in the immediately succeeding LLP Payment Period, together with applicable VAT (or other similar taxes) thereon to the extent provided therein (other than any indemnity payments referred to in paragraph (k) below);

(d) *fourth*, in or towards payment *pro rata* and *pari passu* 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) or to become due and payable in the immediately succeeding LLP Payment Period pursuant to the terms of the Interest Rate Swap Agreement (except to the extent that such amounts have been paid out of any premia received from any relevant replacement Interest Rate Swap Providers);

(e) *fifth*, *pro rata* and *pari passu* according to the respective amounts thereof, in or towards payment on the LLP Payment Date or to provide for payment on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine (and in the case of any such payment or provision, after taking into account any provisions previously made and any amounts receivable from the Interest Rate Swap Provider under the Interest Rate Swap Agreement other than Swap Collateral Excluded Amounts and Swap Provider Tax Payments), of:

(i) taking into account any amounts paid from amounts credited to the Coupon Payment Ledger on the relevant Deposit Account, in respect of any Term Advance with a Covered Bond Swap in place, any amounts due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Covered Bond Swap Providers (other than in respect of principal) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment 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 premia received from any relevant replacement Covered Bond Swap Providers) pursuant to the terms of the relevant Covered Bond Swap Agreements; and

(vii) taking into account any amounts paid from amounts credited to the Coupon Payment Ledger of the relevant Deposit Account (and where appropriate, after taking into account any amounts (other than principal) receivable from a Covered Bond Swap Provider on the LLP Payment Date or such date in the future as the Cash Manager may reasonably determine), any amounts due and payable or to become due and payable in the immediately succeeding LLP Payment Period (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;

(f) *sixth*, if a Cash Manager Relevant Event has occurred and is continuing, in or towards a deposit to the relevant Deposit 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 the LLP is required to make a credit to the Pre-Maturity Liquidity Ledger in accordance with the LLP Deed, in or towards a deposit to the relevant Deposit Account (with a corresponding credit to the Pre-Maturity Liquidity Ledger maintained in respect of that account) of an amount up to but not exceeding the difference between:

(i) the Required Redemption Amount as calculated on the immediately preceding Calculation Date for each relevant Series of Hard Bullet Covered Bonds; and

(ii) any amounts standing to the credit of the Pre-Maturity Liquidity Ledger on the immediately preceding Calculation Date after deducting from that Ledger the Required Redemption Amounts of all other Series of Hard Bullet Covered Bonds as calculated on that Calculation Date which mature prior to or at the same date as the relevant Series of Hard Bullet Covered Bonds;

(h) *eighth*, if a Servicer Event of Default has occurred, all remaining Available Revenue Receipts to be credited to the relevant Deposit Account (with a corresponding credit to the Revenue Ledger maintained in respect of that account) 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);

(i) *ninth*, in or towards a deposit to the relevant Deposit Account, with a corresponding credit to the Reserve Ledger 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;

(j) *tenth*, payment *pro rata* and *pari passu* in accordance with the respective amounts thereof of any Excluded Swap Termination Amounts due and payable by the LLP under the Covered Bond Swap Agreements and the Interest Rate Swap Agreement;

(k) *eleventh*, in or towards payment *pro rata* and *pari passu* in accordance with the respective amounts thereof of any indemnity amount due to the Asset Monitor pursuant to the Asset Monitor Agreement, and any indemnity amount due to the Members and/or any member of the LLP Management Committee pursuant to the LLP Deed;

(l) *twelfth*, in or towards repayment to NatWest of any Cash Capital Contributions made by NatWest (in its capacity as a Member of the LLP) to credit the Coupon Payment Ledger of the relevant Deposit Account;

(m) *thirteenth*, in or towards payment of the NWB Deferred Consideration;

(n) *fourteenth*, in or towards payment of the fee of £50 (inclusive of any VAT) due to the Liquidation Member; and

(o) *fifteenth*, towards payment *pro rata* and *pari passu* to the Members of the sum of £3,000 per annum (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 relevant Calculation Date subject to a minimum of £1 per annum each, as their profit for their respective interests as Members of the LLP.

Any amounts (other than Swap Collateral Excluded Amounts and 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 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 (in which case, no further amounts will be paid to the Issuer under the Intercompany Loan, unless the Issuer has directed the LLP to make all such payments to the Principal Paying Agent) 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 remains outstanding.

Any amounts (other than in respect of principal and other than Swap Collateral Excluded Amounts and 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 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 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 remains outstanding (in which case, no further amounts will be paid to the Issuer under the Intercompany Loan, unless the Issuer has directed the LLP to make all payments to the Principal Paying Agent).

Any amounts (other than Swap Collateral Excluded Amounts and 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 and Swap Provider Tax Payments) received under the Covered Bond Swap Agreements on or after the LLP Payment Date but prior to the next LLP Payment Date which are not put towards a payment or provision in accordance with paragraph (d) of the Pre-Acceleration Revenue Priority of Payments or the preceding two paragraphs will be credited to the Revenue Ledger and applied as Available Revenue Receipts on the next succeeding LLP Payment Date.

Pursuant to the Intercompany Loan Agreement and the LLP Deed, the Issuer requires the LLP to direct each Covered Bond Swap Provider to pay any amounts due to the LLP under a Covered Bond Swap, the proceeds of which would otherwise (prior to the service on the LLP of an Asset Coverage Test Breach Notice which remains outstanding, a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or the realisation of the Security) be applied by the LLP in repayment of the relevant Term Advance to the Issuer in each case, directly to the Bond Trustee or (if so directed by the Bond Trustee) to the Principal Paying Agent, unless either:

(a) the Issuer has paid or discharged the corresponding payment under the relevant Series of Covered Bonds; or

(b) following a Cash Manager Relevant Event and for so long as a Cash Manager Relevant Event is continuing, the corresponding payment under the relevant Series of Covered Bonds has been paid from amounts standing to the credit of the Coupon Payment Ledger on the relevant Deposit Account pursuant to the LLP Deed (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).

In addition, the Issuer has directed the LLP (prior to service of a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or the realisation of the Security) to pay all sums to be paid to the Issuer under the Intercompany Loan to the Bond Trustee or (if directed by the Bond Trustee) the Principal Paying Agent.

Amounts (if any) standing to the credit of the Transaction Account which are not available to be applied in accordance with paragraphs (a) to (o) of the Pre-Acceleration Revenue Priority of Payments above or paragraphs (a) to (e) of the Pre-Acceleration Principal Priority of Payments below will be re-credited to the appropriate ledger in the relevant Deposit Account on the LLP Payment Date.

Allocation and Distribution of Available Principal Receipts prior to service of an Asset Coverage Test Breach Notice which remains outstanding, 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 remains outstanding, 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 Principal Receipts will be allocated and distributed as described below.

On each Calculation Date, the LLP or the Cash Manager on its behalf will calculate the amount of Available Principal Receipts available for distribution on the immediately following LLP Payment Date.

On each LLP Payment Date, the LLP or the Cash Manager on its behalf will transfer Available Principal Receipts from the relevant Deposit Account to the Transaction Account, 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) and (b) the amount of all Available Principal Receipts standing to the credit of the relevant Deposit Account.

If an LLP Payment Date is the same as an Interest Payment Date, then the distribution of Available Principal Receipts under the Pre-Acceleration Principal Priority of Payments will be delayed until the Issuer has made scheduled interest and/or principal payments due and payable under the Covered Bonds on that Interest Payment Date unless the Issuer has directed the LLP to make payment under the Intercompany Loan Agreement directly to the Bond Trustee (or the Principal Paying Agent at the direction of the Bond Trustee).

Pre-Acceleration Principal Priority of Payments

Prior to service on the LLP of an Asset Coverage Test Breach Notice (which remains outstanding), 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 which are available to be applied to fund the Pre-Maturity Liquidity Ledger made from time to time by the Seller (in its capacity as a Member of the LLP)) 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**) (in each case only if and to the extent that payments or provisions of a higher priority have been paid in full to the extent the same are payable on the relevant LLP Payment Date), **PROVIDED THAT**:

(i) so long as the amounts required pursuant to paragraph (a) below have been reserved for in full, the Cash Manager may, at the direction of the LLP, apply Available Principal Receipts on any London Business Day to acquire New Loans, Additional

Loan Advances and Flexible Loan Drawings in accordance with paragraph (b) below; and/or

(ii) so long as the amount required pursuant to paragraphs (a) to (d) (inclusive) below has been reserved for in full, the Cash Manager may, at the direction of the LLP, apply Available Principal Receipts on any London Business Day to make a Capital Distribution to a Member at the option of that Member.

(a) *first*, if the Pre-Maturity Test has been failed by the Issuer in respect of any Series of Hard Bullet Covered Bonds, to credit the Pre-Maturity Liquidity Ledger in an amount up to but not exceeding the difference between:

(i) the Required Redemption Amount calculated on the immediately preceding Calculation Date for each relevant Series of Hard Bullet Covered Bonds; and

(ii) any amounts standing to the credit of the Pre-Maturity Liquidity Ledger on the immediately preceding Calculation Date after deducting from that Ledger the Required Redemption Amount of all other Hard Bullet Covered Bonds, as calculated on that Calculation Date, which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds;

(b) *second*, to acquire New Loans and their Related Security and/or Additional Loan Advances and Flexible Loan Drawings offered to the LLP by the Seller in accordance with the terms of the Mortgage Sale Agreement in an amount at least 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;

(c) *third*, to deposit the remaining Available Principal Receipts in the relevant Deposit Account (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;

(d) *fourth*, *pro rata* and *pari passu* according to the respective amounts thereof, in or towards payment on the LLP Payment Date (or to provide for payment on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine) of:

(i) the amounts (in respect of principal) due and payable to the relevant Covered Bond Swap Providers (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 (including any termination payment due and payable by the LLP under the relevant Covered Bond Swap Agreements, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premia received from the relevant replacement Covered Bond Swap Provider) in accordance with the terms of the relevant Covered Bond Swap Agreement; and

(ii) (where appropriate, after taking into account any amounts in respect of principal receivable from a Covered Bond Swap Provider on the LLP Payment Date or such date in the future as the Cash Manager may reasonably determine) the amounts (in respect of principal) due or to become due and payable to the Issuer *pro rata* and *pari passu* in respect of each relevant Term Advance; and

(e) *fifth*, subject to complying with the Asset Coverage Test, and at the option of the relevant Member to make a Capital Distribution to NatWest (as a Member) by way of distribution of its equity in the LLP in accordance with the LLP Deed.

Unless an Asset Coverage Test Breach Notice has been served and remains outstanding, 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 LLP Payment Date will be applied, together with any provision for such payments made on any preceding LLP Payment Date, to make payments directly to the Bond Trustee or (if so directed by the Bond Trustee) to the Principal Paying Agent unless either the Issuer has paid or discharged the corresponding payment under the relevant Series of Covered Bonds or, following a Cash Manager Relevant Event and for so long as a Cash Manager Relevant Event is continuing, the corresponding payment under the relevant Series of Covered Bonds has been paid from amounts standing to the credit of the Coupon Payment Ledger of the relevant Deposit Account pursuant to the LLP Deed or (provided that all principal amounts outstanding under the related Series of Covered Bonds which have fallen due for repayment on such date have been repaid in full by the Issuer) to make payments in respect of principal due and payable to the Issuer in respect of the corresponding Term Advance under the Intercompany Loan Agreement or otherwise to make provision for such payments on such date in the future of such proportion of the relevant payment falling in the future as the Cash Manager may reasonably determine.

Any amounts of principal (other than Swap Collateral Excluded Amounts and Swap Provider Tax Payments) received by the LLP under the Covered Bond Swaps on or after the LLP Payment Date but prior to the next LLP Payment Date which are not put towards a payment or provision in accordance with paragraph (d) above or the preceding paragraph will be credited to the Principal Ledger and applied as Available Principal Receipts on the next LLP Payment Date.

Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of an Asset Coverage Test Breach Notice which remains outstanding

At any time after service on the LLP of an Asset Coverage Test Breach Notice (which remains outstanding), but prior to service on the LLP of a Notice to Pay or service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or 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 will be applied under paragraphs (e)(vii) (unless such amounts are to be paid directly to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent), (k) (to the extent only that such amounts are payable to the Members), (l), (m), (n) or (o) of the Pre-Acceleration Revenue Priority of Payments or paragraphs (b), (d)(ii) (unless such amounts are to be paid directly to the Bond Trustee) or (if so directed by the Bond Trustee) (e) 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 Available Revenue Receipts and Available Principal Receipts following service of a Notice to Pay but prior to service of an LLP Acceleration Notice and/or the realisation of the Security and/or the commencement of winding-up proceedings in respect of the LLP

At any time after service of a Notice to Pay on the LLP, but prior to service of an LLP Acceleration Notice and/or the realisation of the Security and/or the commencement of winding-up proceedings in respect of the LLP and/or realisation of the Security, Available Revenue Receipts and Available Principal Receipts 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 relevant Deposit Account to the Transaction 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 the relevant Deposit Account.

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 paragraph (e) of the "*Guarantee Priority of Payments*" below, and such amounts, once allocated, will only be available to pay amounts due under the Covered Bond Guarantee and amounts due under the Covered Bond Swap(s) in respect of the relevant Series of Covered Bonds on the scheduled repayment dates thereof.

Guarantee Priority of Payments

On each LLP Payment Date after the service of a Notice to Pay on the LLP but prior to service of an LLP Acceleration Notice and/or the realisation of the Security and/or the commencement of winding-up proceedings in respect of the LLP, 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 or provisions of a higher priority have been made in full):

(a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) all amounts due and payable and any costs, charges, liabilities and expenses then due or to become due and payable to the Bond Trustee in the immediately succeeding LLP Payment Period under the provisions of the Trust Deed together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein;

(ii) all amounts due and payable and any costs, charges, liabilities and expenses then due or to become due and payable to the Security Trustee in the immediately succeeding LLP Payment Period under the provisions of the Deed of Charge together with interest and applicable VAT (or other similar taxes) thereon 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 then due and payable and any costs, charges, liabilities and expenses then due or to become due and payable to the Agents in the immediately succeeding LLP Payment Period pursuant to the provisions 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) 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 or to become due and payable to the Servicer in the immediately succeeding LLP Payment Period under the provisions of the Servicing Agreement (including, without limitation, any amounts payable by the Servicer to any stand-by or back-up servicer appointed pursuant to the terms of the Servicing Agreement), together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(ii) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager in the immediately succeeding LLP Payment Period under the provisions of the Cash Management Agreement (including, without limitation, any amounts payable by the Cash Manager to any stand-by or back-up servicer appointed pursuant to the terms of the Cash Management Agreement), together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(iii) amounts (if any) due and payable to the Account Bank and any costs, charges, liabilities and expenses then due or to become due and payable in the immediately succeeding LLP Payment Period to the Account Bank (including costs) pursuant to the terms of the Bank Account Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(iv) amounts due and payable to the Corporate Services Provider and any costs, charges, liabilities and expenses due or to become due and payable in the immediately succeeding LLP Payment Period to the Corporate Services Provider pursuant to the Corporate Services Agreement together with applicable VAT (or similar taxes) thereon to the extent provided therein;

(v) amounts (if any) due and payable to the FCA or to become due and payable in the immediately succeeding LLP Payment Period under the RCB Regulations (other than the initial registration fees) together with applicable VAT (or other similar taxes) thereon; and

(vi) amounts due and payable to the Asset Monitor and any costs, charges, liabilities and expenses due or to become due and payable in the immediately succeeding LLP Payment Period to the Asset Monitor (other than the amounts referred to in paragraph (l) below) pursuant to the terms of the Asset Monitor Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(d) *fourth*, in or towards payment *pro rata* and *pari passu* of any amounts due and payable to the relevant 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) or to become due and payable in the immediately succeeding LLP Payment Period (except to the extent that such amounts have been paid out of any premia received from any replacement Interest Rate Swap Provider) pursuant to the terms of the Interest Rate Swap Agreement;

(e) *fifth*, to pay *pro rata* and *pari passu* according to the respective amounts thereof, in or towards payment on the LLP Payment Date or to provide for payment on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine (and in the case of any such payment or provision, after taking into account any provisions previously made and any amounts receivable from the Interest Rate Swap Provider under the Interest Rate Swap Agreement) of:

(i) taking into account any amounts paid from amounts credited to the Coupon Payment Ledger of the relevant Deposit Account, any amounts due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the relevant Covered Bond Swap Providers (other than in respect of principal) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment (other than in respect of principal) due and payable by the LLP under the relevant Covered Bond Swap Agreement, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premia received from any relevant replacement Covered Bond Swap Provider) in accordance with the terms of the relevant Covered Bond Swap Agreements; and

(ii) taking into account any amounts paid from amounts credited to the Coupon Payment Ledger of the relevant Deposit Account, and where appropriate, after taking into account any amounts (other than principal) receivable from a Covered Bond Swap Provider on the LLP Payment Date or such date in the future as the Cash Manager may reasonably determine, any amounts due and payable to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the Covered Bondholders pro rata and pari passu in respect of 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,

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 (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 (e)(i) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

(f) *sixth*, *pro rata* and *pari passu* according to the respective amounts thereof, in or towards payment on the LLP Payment Date (or to provide for payment on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine) of:

(i) the amounts (in respect of principal) due and payable (or to become due and payable in the immediately succeeding LLP Payment Period) to the relevant Covered Bond Swap Provider *pro rata* and *pari passu* in respect of each relevant Series of Covered Bond Swap due and payable by the LLP under the relevant Covered Bond Swap Agreement (but, for the avoidance of doubt, excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premia received from any relevant replacement Covered Bond Swap Provider) pursuant to the terms of the relevant Covered Bond Swap Agreement; and

(ii) where appropriate, after taking into account any amounts (in respect of principal) receivable from a Covered Bond Swap Provider on the LLP Payment Date or such date in the future as the Cash Manager may reasonably determine, 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 in respect of 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 on the Final Maturity Date or, if the applicable Final

Terms specified that an Extended Due for Payment Date is applicable to the relevant Series of Covered Bonds, the Extended Due for Payment Date,

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 (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 (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 (the **Extended Covered Bonds**) where the Extended Due for Payment Date is one (1) year or less from the relevant LLP Payment Date and any relevant Covered Bond Swap in respect thereof, on a *pro rata* and *pari passu* basis according to the respective amounts thereof in or towards payment on the LLP Payment Date (or to provide for payment on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine):

(i) the amounts (in respect of principal) due and payable to each relevant Covered Bond Swap Provider (or to become due and payable in the immediately succeeding LLP Payment Period) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (but, for the avoidance of doubt, excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premia received from any relevant replacement Covered Bond Swap Provider) pursuant to the terms of the relevant Covered Bond Swap Agreements; and

(ii) where appropriate, after taking into account any amounts (in respect of principal) receivable from a Covered Bond Swap Provider on the LLP Payment Date or such date in the future as the Cash Manager may reasonably determine, 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,

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 among 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*, in respect of any Extended Covered Bonds where the Extended Due for Payment Date is more than one (1) year from the relevant LLP Payment Date and any relevant Covered Bond Swap in respect thereof, on a *pro rata* and *pari passu* basis according to the respective amounts thereof in or towards payment on the LLP Payment Date (or to provide for payment on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine):

(i) the amounts (in respect of principal) due and payable to each relevant Covered Bond Swap Provider or to become due and payable in the immediately succeeding LLP Payment Period *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (but, for the avoidance of doubt, excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premia received from any relevant replacement Covered Bond Swap Provider) pursuant to the terms of the relevant Covered Bond Swap Agreement; and

(ii) where appropriate, after taking into account any amounts (in respect of principal) receivable from a Covered Bond Swap Provider on the LLP Payment Date or such date in the future as the Cash Manager may reasonably determine, 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,

provided that if the amount available for distribution under this paragraph (h) (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 (h)(ii) above, the shortfall shall be divided among 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 (h)(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;

(i) *ninth*, to deposit the remaining monies in the relevant Deposit Account for application on the next following LLP Payment Date in accordance with the priority of payments described in paragraphs (a) to (h) (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);

(j) *tenth*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of any Excluded Swap Termination Amount due and payable by the LLP to each Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement and to each Interest Rate Swap Provider under the relevant Interest Rate Swap Agreement;

(k) *eleventh*, 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;

(l) *twelfth*, 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 NatWest is not then a Member of the LLP, towards repayment of the Subordinated Loan) any indemnity amount due to any members of the LLP Management Committee and certain costs, expenses and indemnity amounts due by the LLP to the Asset Monitor pursuant to the Asset Monitor Agreement; and

(m) *thirteenth*, thereafter any remaining monies will be applied in or toward payment to the Members in accordance with the LLP Deed.

Termination payments received in respect of Swaps, premiums received in respect of replacement Swaps

If the LLP receives any termination payment from a Swap Provider in respect of a Swap, 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 realisation of the Security) to pay a replacement Swap Provider(s) 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 amounts received by the LLP which are not applied to pay a premium to a replacement Swap Provider(s) to enter into a replacement Swap Agreement(s) will be credited to the Revenue Ledger 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 applied as Available Revenue Receipts on the next LLP Payment Date.

Application of monies received by the Security Trustee following the occurrence of an LLP Event of Default and enforcement of the Security, realisation of the Security and/or the commencement of winding-up proceedings against the LLP

Under the terms of the Deed of Charge, all monies received or recovered by the Security Trustee (or a Receiver appointed on its behalf) (excluding all amounts due or to become due in respect of any Tax Credits, Third Party Amounts, Swap Collateral Excluded Amounts or Swap Provider Tax Payments) following the enforcement of the Security, realisation of the Security and/or the commencement of winding-up proceedings against the LLP will be applied in the following order of priority (the **Post-Enforcement Priority of Payments**) (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

(a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) all amounts due and payable to:

(A) the Bond Trustee under the provisions of the Trust Deed together with interest and applicable VAT (or other similar taxes) thereon as provided therein; and

(B) the Security Trustee and any Receiver appointed by the Security Trustee under the provisions of the Deed of Charge together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein;

(ii) all amounts due and payable to the Agents under or pursuant to the Agency Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(iii) all amounts due and payable to:

(A) the Servicer under the provisions of the Servicing Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(B) the Cash Manager under the provisions of the Cash Management Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(C) the Account Bank under the provisions of the Bank Account Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(D) the Corporate Services Provider under the provisions of the Corporate Services Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and

(E) to the Asset Monitor under the provisions of the Asset Monitor Agreement (other than the amounts referred to in paragraph (d) below) together with applicable VAT (or other similar taxes) thereon, to the extent provided therein;

(iv) any amounts due and payable to the Interest Rate Swap Provider (including any termination payment (but excluding any Excluded Swap Termination Amounts)) pursuant to the terms of the Interest Rate Swap Agreement;

(v) all amounts due and payable:

(A) to the relevant Covered Bond Swap Provider *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds (including any termination payment due and payable by the LLP under the relevant Covered Bond Swap Agreement (but excluding any Excluded Swap Termination Amount)) in accordance with the terms of the relevant Covered Bond Swap Agreement; and

(B) under the Covered Bond Guarantee, to the Bond Trustee on behalf of the Covered Bondholders *pro rata* and *pari passu* in respect of interest and principal due and payable on each Series of Covered Bonds,

provided that if the amount available for distribution under this paragraph (a)(v)(B) (excluding any amounts received from any Covered Bond Swap Provider in respect of amounts referred to in (A) above) would be insufficient to pay the Sterling Equivalent of the amounts due and payable under the Covered Bond Guarantee in respect of each Series of Covered Bonds under (B) above, the shortfall shall be divided 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 Series of Covered Bonds under (A) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

(b) *second*, *pro rata* and *pari passu*, according to the respective amounts thereof, of any Excluded Swap Termination Amounts due and payable by the LLP to the relevant Swap Provider under the relevant Swap Agreement;

(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*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of any indemnity amount due to the Members and/or any member of the LLP Management Committee pursuant to the LLP Deed and certain costs, expenses and indemnity amounts due by the LLP to the Asset Monitor pursuant to the Asset Monitor Agreement; and

(e) *fifth*, thereafter any remaining monies shall be applied in or towards payment to the Members pursuant to the LLP Deed.

The above Post-Enforcement Priority of Payments will be subject to the provisions of Regulations 28 and 29 of the RCB Regulations. In particular, costs properly incurred by an administrator, administrative receiver, a receiver, liquidator, provisional liquidator or manager of the LLP in relation to:

(i) persons providing services for the benefit of Covered Bondholders (which pursuant to the RCB Regulations shall include the persons listed in paragraph (a) above (excluding the Swap Providers));

(ii) the Swap Providers in respect of amounts due to them under paragraph (a) above; and

(iii) any other persons (other than the Issuer) 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 (i) and (ii) above (e.g. liquidity loans),

will be expenses which will be payable out of the proceeds of realisation of the Security (in the case of a receivership) or the assets of the LLP (in the case of an administration, winding-up or provisional liquidation), and shall rank equally among themselves in priority to all other expenses (including the claims of Covered Bondholders). See further the section of this Prospectus entitled "*Risk Factors – Expenses of insolvency officeholders*".

THE PORTFOLIO

Each Portfolio acquired by the LLP 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 the section of this Prospectus entitled "*Summary of the Principal Documents – Mortgage Sale Agreement*" above.

For the purposes of this Prospectus:

Initial Portfolio means the portfolio of Loans and their Related Security, particulars of which were delivered on the First Transfer Date pursuant to the Mortgage Sale Agreements in place at the time (other than any Loans and their Related Security which have been redeemed in full prior to the First Transfer Date), and included all right, title, interest and benefit of either RBS or NWHL, as applicable in and to:

(a) all payments of principal and interest (including, for the avoidance of doubt, all Accrued Interest, Arrears of Interest, Capitalised Interest and Capitalised Expenses) 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 either RBS or NWHL, as applicable, under the applicable Mortgage Conditions;

(b) subject where applicable to the subsisting rights of redemption of Borrowers, all Deeds of Consent, Deeds of Postponement, MH/CP Documentation or any collateral security for the repayment of the relevant Loans;

(c) the right to exercise all the powers of either RBS or NWHL, as applicable in relation thereto;

(d) all the estate and interest in the Properties vested in either RBS or NWHL, as applicable; and

(e) to the extent they are assignable, each Certificate of Title and Valuation Report (in each case where available) and any right of action of either RBS or NWHL, as applicable, 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 either RBS or NWHL, as applicable, to make or offer to make any such Loan or part thereof.

On 1 November 2012, NWHL novated its role as seller under the Mortgage Sale Agreement to NatWest and legal title to the loans which had been sold by NWHL was transferred to NatWest. As of the date of this Prospectus, there are no longer any Loans in the Portfolio which have been sold by RBS.

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 relevant Transfer Date or which do not otherwise comply with the terms of the Mortgage Sale Agreement as at the relevant 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), and including all right, title, interest and benefit of the Seller in and to the rights and assets set out in paragraphs (a) to (e) above in relation to such New Loans and their Related Security.

See also the following risk factors under the section of this Prospectus entitled "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

The Regulated Covered Bonds Regulations 2008 (SI 2008/346), as 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 United Kingdom on 6 March 2008. In summary, the RCB Regulations implement a legislative framework for UK covered bonds. The framework is intended to meet the requirements set out in Article 52(4) of EU Directive (2009/65/EC) on undertakings for collective investment in transferable securities, as amended (the **UCITS Directive**). In general, covered bonds which are UCITS Directive-compliant benefit from higher prudential investment limits and may be ascribed a preferential risk weighting.

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 on-going requirements. To assist it with these tasks, the FCA has certain powers under the RCB Regulations. In particular, in certain circumstances it may direct the winding-up of an owner, remove an issuer from the register of issuers and/or impose a financial penalty of such amount as it considers appropriate in respect of an issuer or owner and direct an issuer to publish information given to the FCA under the RCB Regulations. Moreover, as a body which regulates the financial services industry in the United Kingdom, the FCA may take certain actions in respect of issuers using its general powers under the UK regulatory regime (including restricting an issuer's ability to transfer further assets to the asset pool).

RBS 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 April 2010. National Westminster Bank Plc as the Issuer was admitted to the register of issuers on 26 June 2017.

Requirements under the legislative framework

The RCB Regulations and the RCB Sourcebook include various requirements related to registered issuers, asset pool owners, pool assets and the contractual arrangements made in respect of such assets. In this regard, issuers and owners have various initial and on-going 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 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:

- *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, certain 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 into 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. To be clear, and in keeping with the new requirements under the RCB Regulations, the Asset Pool will not include any asset-backed securities.

- *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% and a minimum threshold applies in respect of interest amounts such that the total amount of interest payable in the period of twelve (12) months following any given date in respect of the eligible property in the asset pool is required to be not less than the interest which would be payable in relation to the regulated covered bonds in that period. For the purposes of calculating each of these tests, the issuer can take into account certain liquid assets up to a maximum of 8% of those covered bonds that have a maturity date of more than one year and 100% of those covered bonds that have a maturity date of one (1) year or less.

- *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 cover pool following an issuance of regulated covered bonds after 1 January 2013. Issuers are also required to publish certain transactions documents relating to the programme. The information to be published by the Issuer can be found at http://www.investors.rbs.com/fixed-income-investors/covered-bonds.aspx and/or in the Investor Reports (or on a separate website established for such purposes and accessible via a web-link set out in such Investor Reports). The information set out on the website and the contents therefore do not form part of this Prospectus;

- *Asset pool monitor role* – new requirements have been introduced to formalise the role of the asset 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 (with additional reporting requirements in the case of issuer non-compliance). Each issuer was required to appoint an asset pool monitor in advance of their annual confirmation of such requirement 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.

Under the RCB Regulations, an issuer may be removed from the register of issuers in certain limited circumstances but the FCA is restricted from removing a regulated covered bond from the register of regulated covered bonds before the expiry of the whole period of validity of the relevant bond.

See also the section of this Prospectus entitled "*Risk Factors – UK regulated covered bond regime*" and "*Risk Factors – Costs, disbursements and expenses incurred by insolvency officeholders*" above.

See also the section of this Prospectus entitled "*Risk Factors – UK regulated covered bond regime*" and "*– Expenses of insolvency officeholders*" above.

DESCRIPTION OF LIMITED LIABILITY PARTNERSHIPS

Since 6 April 2001 it has been possible to incorporate a limited liability partnership in England, Wales and Scotland (but not Northern Ireland) under the Limited Liability Partnerships Act 2000 (the **LLPA 2000**). Limited liability partnerships are legal entities that impose limited liability on the members, combined with the benefits of the flexibility afforded to partnerships generally and the legal personality afforded to companies.

Corporate characteristics

A limited liability partnership is more like a company than a traditional partnership. It is a body corporate with its own property and liabilities, separate from those of 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 contribution in the initial liability partnership because it is a distinct legal entity, and when the members decide to enter into a contract on behalf of a limited liability partnership 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 are entitled to 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 Regulations 2009 (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 traditional 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 traditional 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

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 accountholders. 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 worldwide 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 accountholder of either system.

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 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.

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 directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders 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.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between Clearstream, Luxembourg and Euroclear, 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 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.

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 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 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

United Kingdom Taxation

The following is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue and Customs' practice relating only to United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) by the Issuer in respect of Covered Bonds and payments by the LLP in respect of Covered Bonds. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Covered Bonds. The United Kingdom tax treatment of prospective holders of Covered Bonds depends on their individual circumstances and may be subject to change in the future. Prospective holders of Covered Bonds who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Payment of interest by the Issuer in respect of the Covered Bonds

The Issuer will be entitled to make payments of interest on the Covered Bonds without deduction of or withholding on account of United Kingdom income tax, provided that:

(a) the Issuer is and continues to be a bank within the meaning of section 991 of the Income Tax Act 2007 (ITA 2007); and

(b) the interest on the Covered Bonds is and continues to be paid in the ordinary course of the Issuer's business within the meaning of section 878 ITA 2007.

Payment of interest on the Covered Bonds may be paid without withholding or deduction for or on account of United Kingdom tax provided that the Covered Bonds are and continue to be listed on a "recognised stock exchange" within the meaning of Section 1005 of the ITA 2007. The London Stock Exchange is a recognised stock exchange for this purpose. 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 are and remain so listed, interest on the Covered Bonds will be payable without withholding or deduction for or on account of United Kingdom income tax whether or not the Issuer carries on a banking business in the United Kingdom and whether or not the interest is paid in the ordinary course of its business.

Interest on the Covered Bonds may also be paid without withholding or deduction on account of United Kingdom tax where the maturity of the Covered Bonds is less than 365 days and those Covered Bonds do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, an amount must generally be withheld from payments of interest on the Covered Bonds that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20%), subject to the availability of other exemptions or reliefs. However, where an applicable double tax treaty provides for no tax to be withheld (or a lower rate of withholding tax) 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).

Payments by the LLP

The United Kingdom withholding tax treatment of payments by the LLP under the terms of the Covered Bond Guarantee which have a United Kingdom source is uncertain. In particular, such

payments by the LLP may not be eligible for the exemptions described above in relation to payments of interest. Accordingly, if the LLP makes any such payments, these may be subject to United Kingdom withholding tax at the basic rate. If payments by the LLP are subject to any withholding or deduction for or on account of tax, the LLP will not be required to pay such 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) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of FATCA provisions and IGAs to instruments such as Covered Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Covered Bonds, such withholding would not apply to foreign passthru payments prior to the date that is two (2) years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Covered Bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six (6) 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 VOLCKER RULE CONSIDERATIONS

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 U.S. 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 LLP has determined that it satisfies the requirements of Section 3(c)(5)(C) of the Investment Company Act.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in a Programme Agreement (as the same may be amended and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 1 April 2010, agreed with 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 the sections of this Prospectus entitled "*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. 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 (other than a person purchasing an interest in a Registered Global Covered Bond with a view to holding it in the form of an interest in the same Global Covered Bond) or person wishing to transfer an interest from one Registered Global Covered Bond to another or from global to definitive form or *vice versa*, will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined or in Regulation S are used herein as defined therein):

(a) that it is outside the United States and is not a U.S. person;

(b) that the Covered Bonds are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act or any applicable U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(c) that, unless it holds an interest in a Registered 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 (1) 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 (i) to the Issuer or any affiliate thereof, (ii) outside the United States in compliance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (iii) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (iv) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;

(d) 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 (c) above, if then applicable;

(e) 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 forty (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 (i) outside the United States in compliance with Rule 903 or 904 under the Securities Act and (ii) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Registered 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 OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY (THE **AGENCY AGREEMENT**) AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. UNTIL THE EXPIRY OF THE PERIOD OF FORTY (40) DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE COVERED BONDS OF THE TRANCHE OF WHICH THIS COVERED BOND FORMS PART, SALES MAY NOT BE MADE IN THE UNITED STATES OR TO U.S. PERSONS UNLESS MADE PURSUANT TO RULE 903 OR 904 OR REGULATION S UNDER THE SECURITIES ACT"; and

(f) 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.

Selling Restrictions

United States

The Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from, or in transactions not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

In connection with any Covered Bonds which are offered or sold outside the United States in reliance on Regulation S (**Regulation S Covered Bonds**), each Dealer has represented, warranted and agreed that it has not offered or sold or delivered any Regulation S Covered Bonds, and will not offer, sell or deliver any Regulations S Covered Bonds (a) as part of its distribution at any time or (b) otherwise until forty (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 that it will send to each distributor, dealer or persons receiving a selling concession, fee or other remuneration 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 forty 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.

In respect of Bearer Covered Bonds where "TEFRA D" is specified in the applicable Final Terms:

(a) except to the extent permitted under U.S. Treasury Regulation section 1.163-5(c)(2)(i)(D) (or any successor United States Treasury Regulation section, including, without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise applicable for purposes of Section 4701 of the Code) (the **D Rules**), each Dealer has (i) represented, warranted and agreed that it has not offered or sold, and agrees that during the restricted period it will not offer or sell, Bearer Covered Bonds to a person who is within the United States or its possessions or to a United States person, and (ii) represented, warranted and agreed that it has not delivered and agrees that it will not deliver within the United States or its possessions Bearer Definitive Covered Bonds that are sold during the restricted period;

(b) each Dealer has represented, warranted and agreed that it has and that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Covered Bonds are aware that such Bearer Covered Bonds may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

(c) each Dealer which is a United States person has represented, warranted and agreed that it is acquiring Bearer Covered Bonds for purposes of resale in connection with their original issuance and that if it retains Bearer Covered Bonds for its own account, it will only do so in accordance with the requirements of U.S. Treasury Regulation section l.163-5(c)(2)(i)(D)(6) (or any successor United States Treasury Regulation section, including, without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise applicable for purposes of Section 4701 of the Code);

(d) with respect to each affiliate that acquires Bearer Covered Bonds from a Dealer for the purpose of offering or selling such Bearer Covered Bonds during the restricted period, such Dealer has repeated and confirmed the representations, warranties and agreements contained in (i), (ii), (iii) and (v) on such affiliate's behalf; and

(e) each Dealer has represented, warranted and agreed that it will obtain from any distributor (within the meaning of U.S. Treasury Regulation section 1.163-5(c)(2)(i)(D)(4)(ii) (or any successor United States Treasury Regulation section, including, without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise applicable for purposes of Section 4701 of the Code) that purchases any Bearer Covered Bonds from it pursuant to a written contract with such Dealer (except a distributor that is one of its affiliates or is another Dealer), for the benefit of the Issuer and each other Dealer, the representations and warranties contained in, and such distributor's agreement to comply with,

the provisions of (a), (b), (c) and (d) of this paragraph insofar as they relate to the D Rules, as if such distributor were a Dealer hereunder.

Terms used in the above paragraph have the meanings given to them by the Code and the U.S. Treasury regulations thereunder (the **Regulations**), including the D Rules.

In respect of Bearer Covered Bonds where "TEFRA C" is specified in the applicable Final Terms, each Dealer has represented that it understands that under U.S. Treasury Regulation section 1.163-5(c)(2)(i)(C) (or any successor United States Treasury Regulation section, including, without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise applicable for purposes of Section 4701 of the Code) (the **C Rules**) such Bearer Covered Bonds must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer has represented, warranted and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, such Bearer Covered Bonds within the United States or its possessions in connection with their original issuance. Further, each Dealer has represented, warranted and agreed in connection with the original issuance of such Bearer Covered Bonds that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either the Dealer or such prospective purchaser is within the United States or its possessions or otherwise involve a U.S. office of the Dealer in the offer or sale of such Bearer Covered Bonds. Terms used in this paragraph have the meanings given to them by the Code and the Regulations, including the C Rules.

United Kingdom

Each Dealer has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the LLP; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any such Covered Bonds in, from or otherwise involving the United Kingdom; and

(c) in relation to Covered Bonds which have a maturity of less than one (1) year (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the 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 the Covered Bonds would otherwise constitute a contravention of section 19 of the FSMA by the Issuer.

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended (the **FIEA**)) and each Dealer has represented and agreed that it will not offer or sell any Covered Bonds, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to

an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented, warranted and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Covered Bonds which are the subject of an offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Covered Bonds to the public in that Relevant Member State:

(a) at any time to a legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) 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 3(2) of the Prospectus Directive,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression **offer of Covered Bonds to the public** in relation to any Covered Bonds in any Relevant Member 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 the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and the expression **Prospectus Directive** means Directive 2003/71/EC (as amended including by Directive 2010/73 EU Directive) and includes any relevant implementing measure in each Relevant Member State.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Covered Bonds specify "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 European Economic Area. For the purposes of this provision:

(f) 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 2002/92/EC (as amended, the **Insurance Mediation 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 Directive 2003/71/EC (as amended, the **Prospectus Directive**); and

(g) 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 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 which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the **Relevant Implementation Date**) 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 Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Covered Bonds to the public in that Relevant Member State:

(h) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(i) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(j) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

(a) the expression **offer of Covered Bonds to the public** in relation to any Covered Bonds in any Relevant Member 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 the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and

(b) the expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in each Relevant Member State.

Czech Republic

The prospectus of the Covered Bonds has not been and will not be approved by the Czech National Bank. No action has been taken (including the obtaining of the prospectus approval from the Czech National Bank and the admission to trading on a regulated market (as defined in section 55 of the Act of the Czech Republic No. 256/2004 Coll., on Conducting Business in the Capital Market, as amended (the **Capital Market Act**)) for the purposes of the Covered Bonds to qualify as securities admitted to trading on the European regulated market within the meaning of the Capital Market Act.

Each Dealer has agreed that it has not offered or sold, and will not offer or sell, any Covered Bonds in the Czech Republic through a public offering, being – subject to several exemptions set out in the Capital Market Act – any communication to a broader circle of persons containing information on the securities being offered and the terms under which they may acquire the securities and which are sufficient for the investor to make a decision to subscribe for, or purchase, such securities.

Each Dealer will be required to represent and agree with the Issuer and the LLP and each other Dealer that it has complied with and will comply with all the requirements of the Capital Market Act and has not taken, and will not take, any action which would result in the Covered Bonds being deemed to have been issued pursuant to Czech law or in the Czech Republic, the issue of the Covered Bonds being classed as "accepting of deposits from the public" by the Issuer in the Czech Republic under Section 2(2) of the Act of the Czech Republic No. 21/1992 Coll., on Banks, as amended (the **Banking Act**) or requiring a permit, registration, filing or notification to the Czech National Bank or other authorities in the Czech Republic in respect of the Covered Bonds in accordance with the Capital Market Act, the Banking Act or the practice of the Czech National Bank.

Each Dealer will be required to represent and agree with the Issuer and the LLP and each other Dealer that it has complied with and will comply with all the laws of the Czech Republic applicable to the conduct of business in the Czech Republic (including the laws applicable to the provision of investment services (within the meaning of the Capital Market Act) in the Czech Republic) in respect of the Covered Bonds.

General

Each Dealer has represented, warranted and agreed 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 Seller, the Bond Trustee, the Security Trustee nor any of the other Dealers shall have 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 Seller, the Bond Trustee, the Security Trustee or any of the Dealers have made any representation that any action will be taken in any jurisdiction by any dealers or the Issuer that would permit a public offering of the Covered Bonds, or possession or distribution of the Prospectus, in any country or jurisdiction where action for that purpose is required.

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 this 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 this 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.

GENERAL INFORMATION AND RECENT DEVELOPMENTS

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 28 October 2009 and by resolutions adopted by the ALCO Committee, a sub-committee of the RBS Asset and Liability Management Committee having such delegated authority by the Board of Directors of the Issuer at a meeting held on 31 March 2010. The giving of the Covered Bond Guarantee has been duly authorised by a resolution of the members of the LLP dated 31 March 2010.

Listing of Covered Bonds

It is expected that each Tranche of Covered Bonds which is to be admitted to the Official List and to trading on the regulated 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 or a Registered 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 19 July 2019.

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 registered office of the Issuer and from the specified office of the Principal Paying Agent:

(a) the constitutive documents of the LLP and the Issuer;

(b) the forms of the Global Covered Bonds, the Definitive Covered Bonds, the Coupons and the Talons;

(c) a copy of this Prospectus and all documents incorporated by reference herein;

(d) any future prospectuses, information memoranda and supplementary prospectuses and any Final Terms (save that Final Terms relating to an unlisted Covered Bond will be available for inspection only by the relevant Dealer or Dealers specified in such Final Terms or, upon proof satisfactory to the Principal Paying Agent or the Registrar, as the case may be, as to the identity of the holder of any Covered Bond to which such Final Terms relate) to this Prospectus and any other documents incorporated herein or therein by reference; and

(e) each Transaction Document (other than the Final Terms as specified above).

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 regulated 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/news/news/market-news/market-news-home.html.

Clearing Systems

The Bearer Covered Bonds to be issued under the Programme 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. 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.

Dealers transacting with the Issuer

Certain of the Dealers appointed from time to time and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and their affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Covered Bonds issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuers' affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Covered Bonds issued under the Programme. Any such positions could adversely affect future trading prices of Covered Bonds issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

No Significant Change and No Material Adverse Change – Issuer

There has been no significant change in the trading or financial position of the Issuer or the NatWest Group taken as a whole since 31 December 2018 (the end of the last financial period for which the latest audited annual financial information of Issuer or the NatWest Group has been published).

There has been no material adverse change in the prospects of the Issuer or the NatWest Group since 31 December 2018 (the last date to which the latest audited published financial information of the Issuer or NatWest Group was prepared).

No Significant Change and No Material Adverse Change – LLP

There has been no significant change in the financial or trading position of the LLP since 31 December 2018 (the last date to which the latest audited published financial information of the LLP was prepared, attached to this Prospectus as Annex 1).

There has been no material adverse change in the prospects of the LLP since 31 December 2018 (the last date to which the latest audited published financial information of the LLP was prepared, attached to this Prospectus as Annex 1).

Recent Developments

Litigation

There are no governmental, legal or arbitration proceedings which may have or have had during the twelve (12) months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the LLP nor, so far as the LLP is aware, are any such proceedings pending or threatened.

Save as set out in the section entitled "Litigation, investigations and reviews in the "Notes on the accounts" at pages 122 to 131 of the 2018 Issuer Annual Report and Accounts, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which NatWest is aware) during the twelve (12) months prior to the date of this Prospectus, which may have or have had in the recent past, significant effects on the financial position or profitability of NatWest and/or the NatWest Group taken as a whole.

UK retail banking

The Competition and Markets Authority (**CMA**) published its final report on 9 August 2016 following a provisional decision on remedies in May 2016. The report contained a number of remedies designed to improve competition between UK banks and in particular to encourage customers to switch between personal current account providers in order to get a better deal. The report also outlined measures designed to reduce the amount of fees paid by customers in relation to overdraft facilities. Given that the CMA's proposals are designed to promote competition, there can be no assurance that the Issuer's customer base, levels of deposits or market share will not be adversely affected. The ongoing implementation of the CMA's proposals may also reduce the fee income that the Issuer receives in relation to customers' use of overdraft facilities. This in turn could have a material effect on the Issuer's business or operations.

Auditors – NatWest

The consolidated financial statements of NatWest for the year ended 31 December 2017 and 31 December 2018 have been audited by Ernst & Young (authorised and regulated by the FCA for designated investment business), whose address is 25 Churchill Place, Canary Wharf, London E14 5EY.

Auditors – LLP

The financial statements of the LLP for the year ended 31 December 2018 have been audited by Ernst & Young LLP, chartered accountants and registered auditor. Ernst & Young LLP has reported on such statutory accounts and such reports were unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The auditor of the LLP is Ernst & Young LLP, chartered accountants and registered auditor.

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.

The Issuer provides monthly Investor Reports detailing, among other things, compliance with the Asset Coverage Test. Investor Reports shall be posted on the Issuer's website at http://www.investors.rbs.com/fixed-income-investors/covered-bonds.aspx. Copies of the applicable Final Terms for each series (including in relation to unlisted Covered Bonds of any 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.

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.

Material Contracts

The Issuer is not aware of any material contracts having been entered into outside the ordinary course of the Issuer's business, and which could result in any member of the NatWest 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 that may be issued.

GLOSSARY

30/360, **360/360**, or **Bond Basis**	The meaning given in Condition 4(b)(iv)(E) on page 106;
30E/360 (ISDA)	The meaning given in Condition 4(b)(iv)(G) on page 107;
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;
€ or **euro**	The single currency introduced at the start of the third stage of European Economic Monetary Union pursuant to the Treaty of Rome of 25 March 1957, as amended by, *inter alia*, the Single European Act of 1986 and the Treaty of European Union of 7 February 1992 and the Treaty of Amsterdam of 2 October 1997 establishing the European Community, as further amended from time to time;
£ and **Sterling**	The lawful currency for the time being of the United Kingdom;
$ 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	Société Générale, London Branch in its capacity as such under the Bank Account Agreement together with any successor or replacement account bank or any additional or alternative account bank appointed from time to time pursuant to a relevant bank account agreement entered into with the LLP, the Cash Manager and the Security Trustee;
Account Bank Ratings	The meaning given on page 203;
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;
Actual/360	The meaning given in Condition 4(b)(iv)(D) on page

	106, and/or, in the case of N Covered Bonds, the meaning set out in the relevant N Covered Bond Conditions (if applicable);
Actual/365 (Fixed)	The meaning given in Condition 4(b)(iv)(B) on page 106, and/or, in the case of N Covered Bonds, the meaning set out in the relevant N Covered Bond Conditions (if applicable);
Actual/365 (Sterling)	The meaning given in Condition 4(b)(iv)(C) on page 106, and/or, in the case of N Covered Bonds, the meaning set out in the relevant N Covered Bond Conditions (if applicable);
Actual/Actual or **Actual/Actual (ISDA)**	The meaning given in Condition 4(b)(iv)(A) on page 106, and/or, in the case of N Covered Bonds, the meaning set out in the relevant N Covered Bond Conditions (if applicable);
Actual/Actual (ICMA)	The meaning given in Condition 4(a) on page 100, and/or, in the case of N Covered Bonds, the meaning set out in the relevant N Covered Bond Conditions (if applicable);
Additional Loan Advance	A further drawing (including, but not limited to, Further Advances) in respect of Loans sold by the Seller to the LLP, following the making of the Initial Advance, which in each case is secured by the same Mortgage as the Initial Advance, and including any retention in respect of the Initial Advance;
Adjusted Required Redemption Amount	The meaning given in the section in the Prospectus entitled "*Summary of the Principal Documents*" on page 175;
Agency Agreement	The agency agreement dated the Initial Programme Date and made between the Issuer, the LLP, the Bond Trustee, the Security Trustee, the Principal Paying Agent, the Registrar and the Transfer Agent as supplemented on 29 February 2012 and amended and restated on 16 May 2013, 10 July 2015, 6 June 2018 and 28 February 2019 (and as further modified and/or supplemented and/or restated from time to time);
Agent	Each of the Paying Agents, the Registrar and the Transfer Agent;
Aggregate Adjusted Asset Amount	The meaning given in the section in the Prospectus entitled "*Summary of the Principal Documents*" on page 187;
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 the section in the Prospectus entitled "*Summary of the Principal Documents*" on page 190;
Amortisation Test True Balance	The meaning given in the section in the Prospectus entitled "*Summary of the Principal Documents*" on page 190;
Amortised Face Amount	The meaning given in the section in the Prospectus entitled "*Terms and Conditions of Covered Bonds*" on page 119 and/or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions (if applicable);
applicable Final Terms	The meaning given on page 79;
Arranger	NatWest Markets Plc, and any other entity appointed as an arranger for the Programme or in respect of any particular issue of Covered Bonds under the Programme;
Arrears Adjusted True Balance	The meaning given in the section in the Prospectus entitled "*Summary of the Principal Documents*" on page 188;
Arrears of Interest	As at any date in respect of any Loan, the aggregate of all 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 Aggregate Adjusted Asset 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 (2) consecutive Calculation Dates (subject to the Bond Trustee having actual knowledge or express notice of same);
Asset Monitor	Deloitte LLP, appointed as such under the Asset Monitor Agreement;
Asset Monitor Agreement	The asset monitor agreement entered into on the Initial Programme Date as amended between the Asset Monitor, the LLP, the Cash Manager, the Issuer, the Bond Trustee and the Security Trustee;
Asset Monitor Report	A report substantially in the form contained in

	Schedule 2 of the Asset Monitor Agreement and prepared by the Asset Monitor on the basis of and in accordance with the calculations and procedures set out in Schedule 3 of the Asset Monitor Agreement;
Asset Percentage	The meaning given in the section of this Prospectus entitled "*Summary of the Principal Documents*" on page 189;
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 under the Transaction Documents, the LLP Accounts (apart from the Swap Collateral Accounts) and all amounts standing to the credit thereto and any other assets referred to in Regulation 3(1) (*Asset Pool*) of the RCB Regulations, (to the extent they apply) provided that all such assets are recorded as comprising the asset pool under the RCB Regulations;
Associated Debt	Any indebtedness a Borrower owes or may owe to the Seller, from time to time, other than its relevant Loan which is not assigned to the LLP;
Associated Debt Amount	Any amount paid to the Seller by a Borrower and received by the LLP, which is referable to the Associated Debt;
Authorised Investments	(a) Sterling gilt-edged securities; (b) Sterling demand or time deposits, provided that in all cases such investments will mature on or before the next following LLP Payment Date and the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) are rated at least P-1 by Moody's and F1 by Fitch or their equivalents by two other internationally recognised rating agencies; and (c) In relation to investments made with funds standing to the credit of the relevant Deposit Account only, have a rate of return which is commercially reasonable given the nature and possible duration of the investment, provided that such Authorised Investments comply with the requirements of Regulation 2(1)(a) of the RCB Regulations;
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 (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) less any Principal Receipts applied during such Calculation Period to acquire New Portfolios;

(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 to the extent representing any Required Coupon Amount or any Required Coupon Amount Shortfall and any Cash Capital Contributions credited to the Revenue Ledger); and (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 in respect of principal received by the LLP under each Covered Bond Swap Agreement;

(c) following repayment of any Hard Bullet Covered Bonds by the Issuer on the Final Maturity Date thereof, any amounts standing to the credit of the Pre-Maturity Liquidity Ledger in respect of such Series of Hard Bullet Covered Bonds (except where the LLP has elected to or is required to retain such amounts on the Pre-Maturity Liquidity Ledger); and

(d) any Excess Proceeds,

but shall not include

(e) Third Party Amounts, which shall be paid on receipt in cleared funds to the Seller;

(f) any Swap Collateral Excluded Amounts (to the extent otherwise constituting Available Principal Receipts);

(g) any Tax Credits and any amount received by the LLP from a Member in respect of Tax Credits (to the extent otherwise constituting Available Principal Receipts);

(h) any Swap Provider Tax Payments received from any Swap Providers (to the extent otherwise constituting Available Principal Receipts); and

(i) any Associated Debt Amounts (to the extent otherwise constituting Available Principal Receipts);

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;

(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 and under each Covered Bond Swap Agreement;

(c) prior to the service of a Notice to Pay amounts standing to the credit of the Reserve Fund in excess of the Reserve Fund Required Amount;

(d) any other amounts not referred to in paragraphs (a) to (c) (inclusive) above received during the previous Calculation Period and standing to the credit of the Revenue Ledger on the LLP Accounts;

(e) following the service on the LLP of a Notice to Pay, amounts standing to the credit of the Reserve Fund to the extent required to pay items (a) to (c) and (e) of the Guarantee Priority of Payments, taking into account the other funds available to the LLP; and

(f) amounts standing to the credit of the Coupon Payment Ledger in excess of the Required Coupon Amount for the next following LLP Payment Date;

but shall not include

(g) Third Party Amounts, which shall be paid on receipt in cleared funds to the Seller;

(h) any Tax Credits and any amount received by

	the LLP from a Member in respect of Tax Credits (to the extent otherwise constituting Available Revenue Receipts); (i) any Swap Provider Tax Payments received from Swap Providers (to the extent otherwise constituting Available Revenue Receipts); (j) any Swap Collateral Excluded Amounts (to the extent otherwise constituting Available Revenue Receipts); (k) 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 (l) any Associated Debt Amounts (to the extent otherwise constituting Available Revenue Receipts);
Bank Account Agreement	The bank account agreement dated the Initial Programme Date, as amended and restated on 11 September 2012, 19 December 2014, 10 July 2015 and 6 June 2018 (and as further amended and restated from time to time) between the LLP, the Account Bank, the Cash Manager and the Security Trustee;
Banking Act	The Banking Act 2009;
Basel III	The meaning given on page 76;
BCBS	The meaning given on page 76;
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, Receipts and/or Talons attached thereto on issue;
Bearer Global Covered Bond	The meaning given on page 79;
BoE Base Rate	The Bank of England base rate advised by the Monetary Policy Committee of the Bank of England as displayed on the Bank of England website from time to time;
Bond Trustee	Citicorp Trustee Company Limited, in its capacity as bond trustee under the Trust Deed together with any successor bond trustee or additional bond trustees appointed from time to time thereunder;
Borrower	In relation to a Loan, each individual or individuals specified as such in the relevant Mortgage together with each 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 where the relevant landlord is responsible for insuring the Property;
Business Day	The meaning given in the section in the Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 102 and/or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions;
Buy-to-Let Loan	A Loan that has been made to a Borrower who wishes to purchase or remortgage the relevant Property for the purpose of letting to third parties either by way of assured shorthold tenancy or by way of a tenancy which would be an assured shorthold tenancy but for the level of rent payable under the tenancy exceeding the maximum amount prescribed for such tenancies, or in respect of Scottish Mortgages, a short assured tenancy, but does not include any Loan that was originally made to a Borrower as a mortgage product other than a buy-to-let residential mortgage loan;
Buy-to-Let Variable Rate Loan	A Buy-to-Let Loan which was offered by NWHL or is offered by NatWest, and in respect of which interest is calculated by reference to the NatWest Buy-to-Let Variable Rate;

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 a Calculation Agency Agreement or, if applicable, any successor or separately appointed calculation agent in relation to all or any Series of the Covered Bonds;
Calculation Date	The seventeenth day of each month (other than in respect of the first Calculation Date) (or if such day is not a London Business Day, then the immediately preceding Business Day). The first Calculation Date occurred on 16 July 2010;
Calculation Period	The period from, and including, the first day of each month to, and including, the last day of each month except that the first Calculation Period means the period from and including the First Transfer Date, to and including 30 June 2010;
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 Contributions 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 Expenses	In relation to a Loan, at any date, the amount of any

	expense, charge, fee, premium or payment (excluding any Arrears of Interest, but including any Higher Lending Charge) capitalised and added to the Capital Balance of the Loan in accordance with the relevant Mortgage Conditions or otherwise by arrangement with the relevant Borrower;
Capitalised Interest	For any Loan at any date, Arrears of Interest which as at that date has been added to the Capital Balance of the Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower;
Capped Rate Loans	Loans which are linked to the Seller Standard Variable Rate but which are also subject to a maximum rate of interest for a fixed period;
Cash Capital Contribution	A Capital Contribution made in cash;
Cash Management Agreement	The cash management agreement entered into on the Initial Programme Date as amended and restated on 19 December 2014, 10 July 2015 and 6 June 2018 (and as further amended and restated and/or supplemented from time to time) between the LLP, NatWest in its capacity as the Cash Manager, the Seller and the Servicer, the Security Trustee and the Bond Trustee;
Cash Manager	NatWest, 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	At any time when the Cash Manager and the Issuer are the same entity, the Cash Manager's long-term unsecured, unguaranteed and unsubordinated debt obligations ceasing to be rated at least Baa1 by Moody's and BBB+ by Fitch;
CCA	Consumer Credit Act 1974, as amended from time to time;
CCA 2006	Consumer Credit Act 2006, as may be amended from time to time;
CGCB	The meaning given on page 98;
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;
Charged Property	The property secured by the LLP pursuant to the Deed of Charge;

Clearing Systems	Euroclear and/or Clearstream, Luxembourg and shall be deemed to include references to any additional or alternative clearing system as is approved by the Issuer, the Principal Paying Agent and the Bond Trustee or as may otherwise be specified in the applicable Final Terms;
Clearstream, Luxembourg	Clearstream Banking, société anonyme;
CML	Council of Mortgage Lenders (now known as UK Finance and any successor organisation thereto);
Common Depositary	The common depositary for Euroclear and Clearstream, Luxembourg;
Conditions	Terms and conditions of the Covered Bonds (as set out in Schedule 1 (Terms and Conditions of the Covered Bonds) to the Trust Deed) as modified and/or supplemented by the Final Terms in relation to a particular Series of Covered Bonds, as the same may from time to time be modified in accordance with the Trust Deed and (as the context so requires), the N Covered Bond Conditions relating to each Series of N Covered Bonds as modified and/or supplemented by the provisions of the relevant N Covered Bond Agreement;
Corporate Services Agreement	The corporate services agreement entered into by each of the Liquidation Member and Holdings, the Corporate Services Provider, the Share Trustee and the LLP dated the Initial Programme Date (as amended and restated and/or supplemented from time to time);
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 and the Liquidation 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 relevant Deposit 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 the section in the Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 94;
Covered Bond	Each covered bond (including N Covered Bonds but excluding any N Covered Bond where the relevant N Covered Bondholder has not entered into an N Covered Bond Agreement relating to that Series of N Covered Bonds or where such N Covered Bondholder has breached the terms of the N Covered Bond Agreement relating to such Series of N Covered Bonds) 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 for a Covered Bond issued pursuant to Condition 10 (Replacement of Covered Bonds, Coupons and Talons) or, in the case of any N Covered Bond, pursuant to Condition 10 (Replacement of the Certificate) of the N Covered Bond Conditions;
Covered Bond Guarantee	An unconditional and irrevocable guarantee by the LLP pursuant to the terms of the Trust Deed for the payment of Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment;
Covered Bondholders	The meaning given in the section in the Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 94;
Covered Bond Swap Agreement	Each agreement between the LLP, a Covered Bond Swap Provider and the Security Trustee (as may be amended, amended and restated and/or supplemented from time to time) governing Covered Bond Swap(s) entered into with such Covered Bond Swap Provider in the form of an ISDA Master Agreement, including a schedule, credit support annex and a confirmation in relation to each Covered Bond Swap entered into thereunder;
Covered Bond Swap Early Termination Event	The meaning given in the section in the Prospectus entitled "*Summary of the Principal Documents*" on page 201;
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(s) relating to such Covered Bond or Series of Covered Bonds or, if the relevant Covered Bond Swap(s) have been terminated, the applicable spot rate;

Covered Bond Swaps	Each of the swap transactions governed by the Covered Bond Swap Agreements;
CPUTR	The meaning given on page 70;
Custodian	Any custodian with whom the relevant Registered Global Covered Bonds have been deposited;
Day Count Fraction	In the case of a Fixed Rate Covered Bond, the meaning given in Condition 4(a) in the section in the Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 99 and/or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions (if applicable) 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 99 and/or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions (if applicable);
Dealer	NatWest Markets Plc and any other new Dealer which the Issuer and the LLP may appoint from time to time in accordance with the Programme Agreement, but excluding any entity whose appointment has been terminated in accordance with the Programme Agreement where notice of such termination has been given to the Principal Paying Agent and the Bond Trustee by the Issuer in accordance with the Programme Agreement. 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 dated the Initial Programme Date and supplemented on 14 December 2014 and 6 June 2018 and made between the LLP, the Bond Trustee, the Security Trustee and certain other Secured Creditors and as novated on 1 November 2012 pursuant to the Deed of Novation;
Deed of Consent	A deed 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 by the relevant Mortgage;
Deed of Novation	The global deed of novation and amendment dated 1 November 2012 entered into by, among others, NWHL, NatWest and RBS under which NWHL novated its rights and obligations under the Transaction Documents to which it was a party, to NatWest;

Deeds of Postponement	Together, the English Deeds of Postponement and the Scottish Deeds of Postponement and **Deed of Postponement** means any one of them;
Defaulted Loan	Any Loan in the Portfolio which is greater than or equal to three months in arrears in relation to its Monthly Payment;
Defaulted Loans Notice	A notice or schedule from the Cash Manager to the Seller identifying any Defaulted Loans in the form set out in the Cash Management Agreement;
Deferred Consideration	The NWB Deferred Consideration;
Definitive Covered Bond	A Bearer Definitive Covered Bond and/or, as the context may require, a Registered Definitive Covered Bond;
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 Account	Means (a) the account (with sort code 160400, account number 31303313) opened in the name of the LLP and held with the Account Bank and maintained in accordance with the terms of the Bank Account Agreement and the other Transaction Documents, or such additional or replacement account as may be for the time being be in place with the prior consent of the Security Trustee; or (b) any accounts designated as such and in the name of the LLP held with a relevant additional or alternative account bank appointed from time to time pursuant to a relevant bank account agreement entered into with the LLP, the Cash Manager and the Security Trustee and references to **Deposit Account** shall be deemed to be references to any additional or replacement account in the name of the LLP held with the Account Bank (in such capacity) or such additional or alternative account bank appointed from time to time;
Depositor Set-off Determination Date	If (a) the long-term unsubordinated, unguaranteed debt rating of the Issuer is rated at least A by Fitch and the short-term unsubordinated, unguaranteed debt rating of the Issuer is rated at least F1 by Fitch, January and July in each year or (b) the long-term unsubordinated debt rating of the Issuer is rated less than A by Fitch or the short-term unsubordinated, unguaranteed debt rating of the Issuer is rated less than F1 by Fitch, any day falling in July, October and January and April in each year. PROVIDED that, if the long-term unsubordinated, unguaranteed debt rating of the Issuer is again rated at

	least A by Fitch and the short-term unsubordinated, unguaranteed debt rating of the Issuer is again rated at least F1 by Fitch, the Depositor Set-off Determination Date will be determined in accordance with (a) above;
Depositor Set-off Percentage	The meaning given on page 190;
Designated Account	The meaning given in Condition 5(d) in the section in the Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 111 and/or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions, as supplemented by the relevant N Covered Bond Agreement;
Designated Bank	The meaning given in Condition 5(d) in the section in the Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 111;
Designated Maturity	The meaning given in the ISDA Definitions;
Designated Member	Each Member appointed and registered as such from time to time having those duties and obligations set out in sections 8 and 9 of the LLPA 2000 being, as at the RFTS Effective Date, NatWest and the Liquidation Member;
Determination Date	The meaning given in the applicable Final Terms;
Determination Period	The meaning given in the section in the Prospectus entitled Condition 4(a) in "*Terms and Conditions of the Covered Bonds*" on page 100 and/or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions (if applicable);
Direct Debiting Scheme	The scheme for the manual or automated debiting of bank accounts operated in accordance with the detailed rules of certain members of the Association for Payment Clearing Services;
Directors	The board of directors for the time being of the Issuer or other relevant entity;
Discounted Rate Loans	Loans which allow the Borrower for a set period of time to pay interest at a specified discount to the Seller Standard Variable Rate;
Distribution Compliance Period	The period that ends forty (40) days after the completion of the distribution of each Tranche of Covered Bonds, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);
Due for Payment	The requirement of the LLP to pay any Guaranteed Amounts following the delivery of a Notice to Pay on

the LLP, (a) prior to the occurrence of an LLP Event of Default, on:

(i) the date on which the Scheduled Payment Date in respect of such Guaranteed Amounts is reached, or, if later, the day which is two (2) London 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 Dates 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

(ii) 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 (A) 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 (B) to the extent that the LLP having received a Notice to Pay no later than the date falling one (1) 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 (I) the date which falls two London 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)) or (II) 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 (b) below; or

	(b) 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 168;
English Deed of Postponement	A deed or agreement whereby a mortgagee of a Property located in England and Wales agrees with the Seller to postpone its mortgage or standard security (as appropriate) over such Property so that the sums secured by it will rank for repayment after the sums secured by the relevant Mortgage;
English Loan	A loan secured by an English Mortgage;
English Mortgage	Means a first ranking charge by way of legal mortgage secured over freehold or leasehold Properties located in England or Wales;
EU	The European Union;
EURIBOR	Euro-zone inter-bank offered rate;
Euroclear	Euroclear Bank S.A./N.V.;
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, bank administrator, bank liquidator or other similar official appointed in relation to the Issuer;
Exchange Act	U.S. Securities Exchange Act of 1934, as amended;
Exchange Date	On or after the date which is forty (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 80 and in the case of Registered Covered Bonds, the meaning given in "*Form of Covered Bonds*" on page 81;

Excluded Swap Termination Amount	In relation to a Swap Agreement, an amount equal to the amount of any termination payment due and payable to the relevant Swap Provider as a result of (a) a Swap Provider Default with respect to such Swap Provider or (b) a Swap Provider Downgrade Event with respect to such Swap Provider;
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 (or by) the Extension Determination Date in accordance with Condition 6(a) of the Programme Conditions and, in the case of an N Covered Bond, as set out in the relevant N Covered Bond Agreement (if applicable);
Extension Determination Date	In respect of a Series of Covered Bonds, the date falling two (2) London Business Days after the expiry of seven (7) days starting on (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	The meaning on page 8;
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	In relation to any Series of Covered Bonds, the amount due on the Final Maturity Date of such Covered Bonds pursuant to the Conditions and the relevant Final Terms;
Final Terms	Means (a) with respect to Covered Bonds to be admitted to the Official List and to be admitted to trading by the London Stock Exchange, the final terms document substantially in the form attached as Schedule 3 to the Agency Agreement which will constitute the final terms for the purposes of Article 5.4 of the Prospectus Directive and (b) with respect to any N Covered Bond, means (taken together) the N Covered Bond Conditions applicable to the N Covered Bond and the relevant N Covered Bond Agreement;
First Transfer Date	The date on which the Initial Portfolio is transferred to the LLP pursuant to the Mortgage Sale Agreement;
Fitch	Fitch Ratings Ltd. and any successor to its rating

	business;
Fitch Rating Event	An event under a Swap arising from a downgrade of the rating of the relevant Swap Provider (or the Swap Provider's guarantor or other relevant party) by Fitch which triggers an obligation on the Swap Provider to do one or more of the following: (a) provide collateral under the relevant Swap Agreement, (b) obtain a guarantee of its obligations, (c) transfer the relevant Swap Agreement or (d) take such other action (as confirmed by Fitch) as will result in the rating of the Covered Bonds by Fitch following the taking of such action being maintained at, or restored to, the level at which it was immediately prior to such Fitch Rating Event;
Fixed Interest Period	The meaning given in Condition 4(a) in the section in the Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 99 of the Programme Conditions and/or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions (if applicable);
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) identified in the relevant Final Terms and on redemption calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms);
Fixed Rate Loans	Loans subject to a fixed interest rate for a specified period of time and which, at the expiration of that period, generally convert to Variable Rate Loans;
Flexible Choice Rate	The NWB Flexible Choice Rate;
Flexible Loan	A Loan which, *inter alia*, gives the Borrower the option to make Overpayments and, from the credit accumulated on the flexible facility by virtue of such Overpayments, make Underpayments or take Payment Holidays or make a withdrawal under the terms of the Loan, which amount is secured on the same Property as the Initial Advance under such Loan;
Flexible Loan Drawing	An amount withdrawn by a Borrower under the terms of his or her Flexible Loan after the date on which the relevant Loan was transferred to the LLP pursuant to the Mortgage Sale Agreement, which amount is secured on the same Property as the Initial Advance under such Loan;
Floating Rate	The meaning given in the ISDA Definitions;

Floating Rate Convention	The meaning given in the section in the Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 101 and/or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions (if applicable);
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 the section in the Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 101 and/or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions (if applicable);
FSA	Financial Services Authority and any successor thereto, including the FCA;
FSMA	Financial Services and Markets Act 2000, as amended from time to time;
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, and does not include a Flexible Loan Drawing;
Global Covered Bond	A Bearer Global Covered Bond and/or Registered Global Covered Bond, as the context may require;
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 all other amounts due and payable in respect of the Covered Bonds, including all Excluded Scheduled Interest Amounts, all Excluded Scheduled Principal Amounts (whenever the same arose) and all amounts payable by the LLP under the Trust Deed;
Guarantee Priority of Payments	The meaning given in "*Cashflows*" on page 117;
Halifax Index	The index of increases or decreases in house prices issued by Markit plc in relation to residential properties in the United Kingdom;
Halifax Price Indexed Valuation	In relation to any Property at any date, the Latest Valuation of that property increased or decreased as appropriate by the increase or decrease in the Halifax Index since the date of that Latest Valuation;
Hard Bullet Covered Bond	Any Covered Bond issued by the Issuer in respect of which the principal is due to be redeemed in full in one amount on the Final Maturity Date of that Covered Bond and which is identified as such in the applicable Final Terms;
Higher Lending Charge	Any fee incurred by a Borrower in respect of its mortgage account where the aggregate of the outstanding principal balance of the relevant Loan(s) at origination (excluding any capitalised Higher Lending Charge or booking fees and/or valuation fees) exceeds certain specified percentages;
HMRC	HM Revenue & Customs;
HMSS	Homeowner Mortgage Support Scheme;
Holdings	NatWest Covered Bonds (Holdings) Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 7033644);
Household Contingency Policy	For loan amounts of a principal amount of up to £2,500,000, a block policy held by the Seller which covers the value of the Loan rather than the Property;
ICSD	The International Central Securities Depository;
Indexed Valuation	At any date in relation to any Loan secured over any Property: (a) where the Latest Valuation of that Property is equal to or greater than the Halifax Price Indexed Valuation as at that date, the Halifax

Price Indexed Valuation; or

(b) where the Latest Valuation of that Property is less than the Halifax Price Indexed Valuation as at that date, the Latest Valuation plus 85% of the difference between the Latest Valuation and the Halifax Price Indexed Valuation;

Initial Advance In relation to a Loan, the original principal amount together with the amount of any retention advanced to the relevant Borrower after completion of the Mortgage, and it may include any Higher Lending Charge or other fees (if capitalised);

Initial Portfolio The meaning given in the section of this Prospectus entitled "*The Portfolio*" on page 227;

Initial Programme Date 1 April 2010;

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, bank liquidator, bank administrator 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 thirty (30) days; or

(d) the relevant entity is unable to pay its debts as they fall due;

Insurance Policies The Buildings Insurance Policies and the Household Contingency Policy, and **Insurance Policy** shall be construed accordingly;

Intercompany Loan	The term loan entered into on the Initial Programme Date (as amended and restated and/or supplemented from time to time) made between the Issuer, the Cash Manager, the LLP and the Security Trustee and **Intercompany Loan Agreement** means the related term loan agreement;
Intercompany Loan Ledger	The ledger of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record all payments of interest and repayments of principal on each of the Term Advances;
Interest 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 99;
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	Each of the interest rate swaps entered into between the LLP and NatWest (in its capacity as Interest Rate Swap Provider) and governed by the Interest Rate Swap Agreement;
Interest Rate Swap Agreement	The agreement between the LLP, the Interest Rate Swap Provider and the Security Trustee dated as of the Initial Programme Date (and as may be amended, amended and restated and/or supplemented from time to time) governing the Interest Rate Swaps in the form of an ISDA Master Agreement, including a schedule, credit support annex and a confirmation in respect of each Interest Rate Swap entered into thereunder;
Interest Rate Swap Early Termination Event	The meaning given in the section in the Prospectus entitled "*Summary of the Principal Documents*" on page 198;
Interest Rate Swap Provider	NatWest, in its capacity as interest rate swap provider under the Interest Rate Swap Agreement or any successor interest rate swap provider;
Investor Report	The quarterly report made available to the Covered Bondholders, the Security Trustee, the Bond Trustee and the Rating Agencies detailing, *inter alia*, compliance with the Asset Coverage Test;

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 the section in the Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 102 and/or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions (if applicable);
Issue Date	Each date on which the Issuer issues Covered Bonds to Covered Bondholders under the Programme, as specified in the applicable Final Terms;
Issuer	National Westminster Bank Plc, incorporated under the laws of England and Wales, whose registered office is at 250 Bishopsgate, London EC2M 4AA;
Issuer Acceleration Notice	The meaning given in the section of this Prospectus entitled Condition 9(a) in "*Terms and Conditions of the Covered Bonds*" on page 122;
Issuer Event of Default	The meaning given in the section of this Prospectus entitled Condition 9(a) in "*Terms and Conditions of the Covered Bonds*" on page 122;
Latest Valuation	In relation to any Property, the value given to that Property specified in the most recent valuation of such Property in the possession of the Seller;
Lead Manager	In relation to any Tranche of Covered Bonds, the person named as the Lead Manager in the applicable Subscription Agreement or, when only one Dealer signs such Subscription Agreement, such Dealer.
Ledger	Each of the Revenue Ledger, the Principal Ledger, the Reserve Ledger, the Capital Account Ledger, the Coupon Payment Ledger, the Intercompany Loan Ledger, the Swap Collateral Ledger, the Pre-Maturity Liquidity Ledger and the Payment Ledger and each other ledger required to be opened on an LLP Account from time to time (and together, the Ledgers);
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	The London Interbank Offered Rate;
Life Tracker Rate Loans	The meaning given in the section of this Prospectus

	entitled "*The Loans and the Portfolio*" on page 151;
Liquidation Member	NatWest Covered Bonds (LM) Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 7053120);
LLP	NatWest Covered Bonds Limited Liability Partnership, a limited liability partnership incorporated in England and Wales (partnership no. OC349504), whose first members were NWHL, RBS and the Liquidation Member. NWHL novated its role as a member of the LLP to NWB pursuant to the Global Deed of Novation on 1 November 2012. As a consequence of the Ring Fencing Transfer Scheme, and with effect from the RFTS Effective Date, RBS has ceased to be a member of the LLP, with the result that the members of the LLP on the RFTS Effective Date are NatWest and the Liquidation Member;
LLPA 2000	Limited Liability Partnerships Act 2000;
LLP Acceleration Notice	The meaning given in Condition 9(b) of the Programme Conditions;
LLP Accounts	Each of the relevant Deposit Account, the Transaction Account and any additional or replacement accounts opened in the name of the LLP from time to time, including each Swap Collateral Account and relevant additional or alternative accounts established from time to time pursuant to the terms of the Transaction Documents;
LLP Deed	The limited liability partnership deed entered into on the Initial Programme Date between the LLP, RBS in its capacity as a Seller as at such date, NWHL in its capacity as a Seller as at such date, the Liquidation Member, the Bond Trustee and the Security Trustee, as novated on 1 November 2012 pursuant to the Global Deed of Novation and as amended, restated, replaced, varied, novated and/or supplemented from time to time;
LLP Event of Default	The meaning given in Condition 9(b) in the section of this Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 124;
LLP Management Committee	The management committee comprised of those persons listed in Schedule 1 (Representatives of the Members of the Meetings of the LLP Management Committee) to the LLP Deed, and thereafter their successors or such other persons appointed from time to time to the committee of management of the LLP in accordance with the LLP Deed which will act on behalf of the LLP and to which (subject to the

	provisions of the LLP Deed) the Members delegate all matters;
LLP Payment Date	The 22nd day of each calendar month or if not a London Business Day, the next following London Business Day. The first LLP Payment Date occurred on 22 July 2010;
LLP Payment Period	The period from (and including) an LLP Payment Date to (but excluding) the next following LLP Payment Date, save that in the case of the first LLP Payment Period, it shall mean the period from (and including) the Initial Programme Date to (but excluding) the first LLP Payment Date;
LLP Variable Rate	The LLP variable rate applicable to the Loans in the Portfolio, as set, other than in limited circumstances, by the Servicer in accordance with the Servicing Agreement;
Loan	Any mortgage loan which has been sold to the LLP pursuant to the Mortgage Sale Agreement or is, or is to be, sold, assigned and transferred by the Seller to the LLP from time to time under the terms of the Mortgage Sale Agreement (including, without limitation, all Flexible Loan Drawings, Product Switches and Additional Loan Advances from time to time transferred to the LLP in respect thereof) and referenced by its mortgage loan identifier number and comprising the aggregate of all principal sums, interest, costs, charges, expenses and other monies due or owing with respect to that mortgage loan under the relevant Mortgage Conditions by a Borrower on the security of a Mortgage over Property located in England or Wales or Scotland from time to time outstanding, or, as the context may require, the Borrower's obligations in respect of the same but excludes any mortgage loan which is repurchased by the Seller or otherwise sold by the LLP and no longer beneficially owned by it;
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 mortgage documentation applicable to that 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 Repurchase Notice	A notice in substantially the form set out in Schedule 4 (Loan Repurchase Notice) to the Mortgage Sale Agreement served in accordance with the terms of the Mortgage Sale Agreement;
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's regulated market;
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;
LTV Ratio	The ratio (expressed as a percentage) of the True Balance of a Loan to the value of the relevant Property securing that Loan (the **loan-to-value ratio**);
Margin	Where applicable, the margin set out in the relevant Final Terms;
Master Definitions and Construction Agreement	The master definitions and construction agreement made between the parties to the Transaction Documents on or about the Initial Programme Date as amended on 26 May 2010, 1 November 2012 and 21 December 2012 and as amended and restated on 14 June 2011, as novated pursuant to the Global Deed of Novation on 1 November 2012, and as further amended and restated on 16 May 2013, 19 December 2014, 10 July 2015, 19 December 2016 and 6 June 2018 and as amended, supplemented, varied and/or restated from time to time;
MCOB	Mortgages and Home Finance: Conduct of Business sourcebook, implemented by the FCA as amended, revised or supplemented from time to time;
Member	From time to time, each member of the LLP;
MH/CP Documentation	An affidavit, consent or renunciation granted in terms of the Matrimonial Homes (Family Protection) (Scotland) Act 1981 or (as applicable) the Civil

	Partnership Act 2004 in connection with a Scottish Mortgage or the Property secured thereby;
Modified Following Business Day Convention	The meaning given in Condition 4 in the section of this Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 101;
Monthly Payment	The amount which the relevant Mortgage Conditions require a Borrower to pay on each Monthly Payment Date in respect of that Borrower's Loan;
Monthly Payment Date	In relation to a Loan, the date in each month on which the relevant Borrower is required to make a Monthly Payment;
Moody's	Moody's Investors Service Limited and any successor to its rating business;
Moody's Rating Event	An event under a Swap arising from a downgrade of the rating of the relevant Swap Provider (or the Swap Provider's guarantor or other relevant party) by Moody's which triggers an obligation on the Swap Provider to do one or more of the following: (a) provide collateral under the relevant Swap Agreement, (b) obtain a guarantee of its obligations, (c) transfer the relevant Swap Agreement or (d) take some other action (which may, for the avoidance of doubt, include taking no action) and Moody's has confirmed in writing that the substitution of such action (or inaction) as an alternative to performance of the actions detailed in the relevant Swap Agreement will not adversely affect the then current rating assigned to the Covered Bonds by Moody's;
Mortgage	In respect of any Loan, each fixed charge by way of legal mortgage (in relation to an English Loan) and each first ranking standard security (in relation to a Scottish Loan) which has been sold to the LLP pursuant to the Mortgage Sale Agreement or is, or is to be, sold by the Seller to the LLP pursuant to the Mortgage Sale Agreement, which secures the repayment of the relevant Loan, including the Mortgage Conditions applicable to it;
Mortgage Conditions	All 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 creating that Mortgage;

Mortgage Sale Agreement	The NWB Mortgage Sale Agreement (and, to the extent the context so requires, the mortgage sale agreement entered into on the Initial Programme Date between RBS as a Seller, the LLP and the Security Trustee as amended, restated, replaced, varied, novated and/or supplemented from time to time and as consolidated into the NWB Mortgage Sale Agreement from the RFTS Effective Date) and **Mortgage Sale Agreements** shall be construed accordingly;
N Covered Bond	A Registered Covered Bond in definitive form made out in the name of a specified N Covered Bondholder issued or to be issued by the Issuer in accordance with the provisions of the Agency Agreement, in the form of a German "*Namensschuldverschreibung*" substantially in the form set out in Schedule 6 to the Trust Deed with such modifications (if any) as may be agreed between the Issuer, the LLP, the Bond Trustee and the relevant N Covered Bondholder and having the N Covered Bond Conditions applicable to it annexed thereto and subject to the provisions of the N Covered Bond Agreement relating thereto;
N Covered Bond Agreement	In respect of any Series of N Covered Bonds, an agreement between the Issuer, the LLP, the Bond Trustee and the relevant N Covered Bondholder substantially in the form set out in Schedule 6 to the Trust Deed;
N Covered Bond Assignment Agreement	The assignment agreement attached to each N Covered Bond, substantially in the form set out at Schedule 6 to the Trust Deed;
N Covered Bond Conditions	The terms and conditions of each N Covered Bond annexed thereto;
N Covered Bondholder	The holder of an N Covered Bond;
N(M)	A further stage of the FSMA which came into effect on 31 October 2004;
NatWest	National Westminster Bank Plc (registered number 00929027) a limited company incorporated in England and Wales, whose registered office is at 250 Bishopsgate, London EC2M 4AA;
NatWest Base Rate	The base rate set from time to time by NatWest;
NatWest Group	National Westminster Bank Plc and its consolidated subsidiaries' undertakings;
Negative Carry Factor	The meaning given on page 189;

New Loans	Loans, other than the Loans comprised in the Initial Portfolio, which the Seller may assign or transfer to the LLP after the First Transfer Date pursuant to the Mortgage Sale Agreement;
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 comprised in the Initial Portfolio. For the avoidance of doubt, a mortgage loan will not constitute a New Loan Type if it differs from the Loans comprised in the Initial Portfolio 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 Member	Any new Member who shall be admitted to the LLP after the Initial Programme Date pursuant to the LLP Deed;
New Portfolio	The meaning given in "*The Portfolio*" on page 227;
New Portfolio Notice	A notice in the form set out in the Mortgage Sale Agreement subject to any amendment as may be agreed between the parties thereto served in accordance with the terms of the Mortgage Sale Agreement;
New Seller	Any member of the RBS Group (other than NatWest and the Original Sellers) 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 79;
Notice to Pay	The meaning given in Condition 9(a) in the section of this Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 123;
NWB	NatWest;
NWB Deferred Consideration	All remaining Available Revenue Receipts after payment of items (a) to (l) of the Pre-Acceleration Revenue Priority of Payments and the profit payable to the Members under item (o) of the Pre-Acceleration Revenue Priority of Payments and an amount equal to the fee payable to the Liquidation Member in accordance with item (n) of the Pre-Acceleration

	Revenue Priority of Payments;
NWB Flexible Choice Rate	The National Westminster Bank Public Limited Company Flexible Choice Rate, being the rate of interest so named set by NatWest by reference to the general level of interest rates and competitor rates in the UK mortgage market;
NWB Loans	Any Loan which is sold and assigned by NatWest (or was sold by NWHL) to the LLP from time to time under the terms of the Mortgage Sale Agreement but excluding any mortgage loan which is repurchased by the Seller or otherwise sold by the LLP and no longer beneficially owned by it;
NWB Mortgage Sale Agreement	The mortgage sale agreement entered into on the Initial Programme Date between NWHL as a Seller as at such date, the LLP and the Security Trustee and as novated on 1 November 2012 pursuant to the Global Deed of Novation and as amended, restated, replaced, varied, novated and/or supplemented from time to time;
NWB Standard Variable Rate	One of two rates of interest so named and set by NWB by reference to the general level of interest rates and competitor rates in the UK mortgage market;
NWHL	National Westminster Home Loans Limited (registered number 1449354) a limited company incorporated in England and Wales, whose registered office is at 250 Bishopsgate, London EC2M 4AA;
Official List	The Official List of the UK Listing Authority;
Off-Set Loan	A Loan under which the Borrower is contractually entitled to use funds held in their linked current account or deposit accounts to reduce the interest payable on the Loan, instead of receiving interest on those funds;
OFT	The Office of Fair Trading;
Ombudsman	The Financial Ombudsman Service under the FSMA;
Order	The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544), as amended;
Original Due for Payment Date	The meaning given in paragraph (a)(i) of the definition of **Due for Payment**;
Original Sellers	Each of NWHL and RBS;
Overpayment	A payment by a Borrower in an amount greater than the Monthly Payment then due on the relevant Loan;

Partial Portfolio	Part of any portfolio of Selected Loans;
Paying Agents	The meaning given in the section of this Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 93;
Payment Day	The meaning given in Condition 5 in the section of this Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 112 and/or, in the case of an N Covered Bond, the meaning set out under Condition 5 (Payment Day) of the relevant N Covered Bond Conditions;
Payment Holiday	A period during which a Borrower suspends payments under a Loan where the Borrower is permitted under the relevant Mortgage Conditions to do so and will not therefore be in breach of the relevant Mortgage Conditions;
Payment Holiday Loan	A Loan under which a Borrower is permitted to take a Payment Holiday;
Payment Ledger	The ledger of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record the credits and debits of Available Revenue Receipts and Available Principal Receipts for application in accordance with the relevant Priority of Payments;
Perfection Event	The meaning given to such term in the Mortgage Sale Agreement.
Permanent Global Covered Bond	The meaning given in the section of this Prospectus entitled "*Form of the Covered Bonds*" on page 79;
Portfolio	The Initial Portfolio and each New Portfolio acquired by the LLP;
Post-Enforcement Priority of Payments	The meaning given in the section of this Prospectus entitled "*Cashflows*" on page 224;
Potential Issuer Event of Default	The meaning given in Condition 14 in the section of this Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 137;
Potential LLP Event of Default	The meaning given in Condition 14 in the section of this Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 137;
PRA	The meaning given on page 132;
Pre-Acceleration Principal Priority of Payments	The meaning given in the section of this Prospectus entitled "*Cashflows*" on page 216;

Pre-Acceleration Revenue Priority of Payments	The meaning given in the section of this Prospectus entitled "*Cashflows*" on page 212;
Preceding Business Day Convention	The meaning given in Condition 4(b) in the section of this Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 102 and/or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions (if applicable);
Pre-Maturity Liquidity Ledger	The ledger on the relevant Deposit Account maintained by the Cash Manager pursuant to the Cash Management Agreement to record the credits and debits of monies available to repay any Series of Hard Bullet Covered Bonds on the Final Maturity Date thereof if the Pre-Maturity Test has been breached;
Pre-Maturity Test	The meaning given in the section of this Prospectus entitled "*Cashflows*" on page 207;
Pre-Maturity Test Date	The meaning given in the section of this Prospectus entitled "*Cashflows*" on page 207;
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 the Principal Receipts in accordance with the terms of the LLP Deed;
Principal Paying Agent	The meaning given in the section of this Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 93;
Principal Receipts	(a) principal repayments under the Loans (including payments of arrears, Capitalised Interest and Capitalised Expenses); (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 Loans in the Portfolio; (d) the proceeds of (i) the sale of any Loans or (ii) the repurchase of any Loans by the Seller from the LLP pursuant to the Mortgage Sale

Agreement (in each case other than, amounts attributable to fees, Accrued Interest and Arrears of Interest thereon as at the relevant repurchase date); and

(e) any deemed Principal Receipts;

Priorities of Payments Together, 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 and **Priority of Payment** means any one of them;

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; or

(f) any change in the repayment or payment 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 the section of this Prospectus entitled "*Subscription and Sale and Transfer and Selling Restrictions*" on page 237 and as novated on 1 November 2012 pursuant to the Deed of Novation;

Programme Conditions The conditions for the Programme as set out in Schedule 1 the Trust Deed;

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 to take, or to direct the Security Trustee to take, any such

	enforcement action as is referred to in Clause 10.1 or 10.2 of the Trust Deed or any Extraordinary Resolution to sanction any matter that the Trust Deed or any other Transaction Document expressly requires to be sanctioned by an Extraordinary Resolution of the Covered Bondholders of all Series taken together as a single Series;
Property	A freehold, leasehold or commonhold property (or, in Scotland, a heritable property or a property held under a long lease) which is subject to a Mortgage;
Prospectus Directive	The meaning given on page 84;
Purchaser	Any third party or the Seller to whom the LLP offers to sell Selected Loans;
Rating Agencies	Moody's and Fitch, and each a **Rating Agency**;
Rating Agency Confirmation	A confirmation (or, in the case of Moody's, affirmation) in writing by Fitch and/or Moody's (as applicable) 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 or affirmation 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, affirmation or response is delivered to that Rating Agency by any of the LLP, the Issuer, the Cash Manager, the Servicer, the Bond Trustee and/or the Security Trustee, as applicable (each a **Requesting Party**) and one or more of the Rating Agencies (each a **Non-Responsive Rating Agency**) indicates that it does not consider such confirmation, affirmation or response necessary in the circumstances, the Requesting Party shall be entitled to disregard the requirement for a confirmation or affirmation of rating or other response by each Non-Responsive Rating Agency and proceed on the basis of the confirmations or affirmations of rating or other responses received by each other Rating Agency or, if all the Rating Agencies indicate that they do not consider such confirmation, affirmation or response necessary in the circumstances, on the basis that such confirmation or affirmation of rating or other response by a Rating Agency is not required in the particular circumstances of the request. If a Rating Agency does not respond to a written request for a confirmation or affirmation, such non response shall not be interpreted to mean that such Rating Agency has given any deemed confirmation or affirmation of rating or other response in respect of such action or step or any deemed indication that it does not consider such confirmation, affirmation or response necessary in the

	circumstances. 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 a manner as it sees fit;
Rating Condition	The condition that will be satisfied in respect of an event or matter if: (a) Fitch has been notified of such event or matter; and (b) the LLP, the Issuer, the Bond Trustee and/or the Security Trustee (as applicable), has received a Rating Agency Confirmation from Moody's in respect of such event or matter;
RBS	The Royal Bank of Scotland plc, incorporated with limited liability under the laws of Scotland, whose registered office is 36 St. Andrew Square, Edinburgh EH2 2YB;
RBS Group or **RBSG**	The Royal Bank of Scotland Group plc and its Subsidiaries collectively;
RBSG	The Royal Bank of Scotland Group plc (registered number SC45551), a public limited company incorporated under the laws of Scotland, whose registered office is at 36 St. Andrew Square, Edinburgh EH2 2YB;
RBSG Staff Loans	Loans made to full time permanent staff of RBSG and identified as such on the GMS system;
RCB Regulations	The Regulated Covered Bonds Regulations 2008 (SI 2008/346) as amended by the Regulated Covered Bonds (Amendment) Regulations 2008 (SI 2008/1714), as amended by the Regulated Covered Bonds (Amendment) Regulations 2011 (SI 2011/No 2859), as amended by the Regulated Covered Bonds (Amendment) Regulations 2012 (SI 2012/No. 2977) and as further amended from time to time;
RCB Sourcebook	The Regulated Covered Bond Sourcebook published by the FSA on 6 March 2008, as amended, revised or supplemented from time to time;
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 and/or Scotland who generally satisfy the lending criteria of traditional sources of residential mortgage capital;
Record Date	The meaning given in Condition 5(d) in the section of

	this Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 111 and/or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions;
Redeemed Covered Bonds	The meaning given in Condition 6(c) in the section of this Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 117;
Register	The register of holders of the Registered Covered Bonds maintained by the Registrar;
Registered Covered Bonds	Covered Bonds in registered form;
Registered Definitive Covered Bond	Means (a) Each N Covered Bond and (b) each other 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	Registered Global Covered Bonds;
Registers of Scotland	The Land Register of Scotland and/or the General Register of Sasines;
Registrar	Citibank, N.A., London Branch in its capacity as registrar (and any additional or successor registrar);
regulated mortgage contract	The meaning given in "*Certain Regulatory Considerations*" on page 58;
Regulation S	Regulation S under the Securities Act;

Regulation S Covered Bonds	The meaning given in the section of this Prospectus entitled "*Subscription and Sale and Transfer and Selling Restrictions*" on page 238;
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 which has been sold to the LLP pursuant to the Mortgage Sale Agreement or is, or is to be, sold to (or held on trust for) the LLP pursuant to the Mortgage Sale Agreement including (without limitation): (a) the benefit of all affidavits, consents, renunciations, guarantees, indemnities, waivers and postponements (including, without limitation, Deeds of Consent and Deeds of Postponement) from occupiers and other persons having an interest in or rights in connection with the relevant Property or third parties; (b) each right of action of the Seller against any person (including, without limitation, any valuer, licensed conveyancer, solicitor and any registrar or registry) in connection with any report, valuation, opinion, certificate or other statement of fact or opinion (including, without limitation, each Certificate of Title and Valuation Report) given or received in connection with all or part of any Loan and its Related Security or affecting the decision of the Seller to make or offer to make all or part of the relevant Loan; and (c) the benefit of (including, without limitation, the rights as the insured person under and pursuant to notations of interest on, returns of premium and proceeds of claims under) insurance and assurance policies deposited, charged, obtained, or held in connection with the relevant Loan, Mortgage and/or Property and Loan Files;
Relevant Date	The meaning given in Condition 7 in the section of this Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 121 and/or, in the case of an N Covered Bond, the meaning set out in Condition 6.1 of the relevant N Covered Bond Conditions;
Re-Mortgage	A Loan granted and secured over a Property as a replacement to an existing mortgage loan advanced to the Borrower by another lender and secured over the same Property;

Representations and Warranties

The representations and warranties set out in Schedule 1 (*Representations and Warranties*) to the Mortgage Sale Agreement, which are made by the Seller;

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 set out in the Mortgage Sale Agreement;

Requesting Party

The meaning given in Condition 14 in the section of this Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 137;

Required Coupon Amount

The meaning given in the section of this Prospectus entitled "*The LLP Deed*" on page 185;

Required Coupon Amount Shortfall

The meaning given in the section of this Prospectus entitled "*The LLP Deed*" on page 185;

Required Redemption Amount

The meaning given in the section of this Prospectus entitled "*Summary of the Principal Documents*" on page 175;

Required True Balance Amount

The meaning given in the section of this Prospectus entitled "*Summary of the Principal Documents*" on page 192;

Reserve Fund

The reserve fund that the LLP will be required to establish in the relevant Deposit 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 aggregate 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 Cash Manager shall direct the LLP from time to time and otherwise,

(b) The higher of:

(i) if the Issuer's short-term, unsecured, unsubordinated and unguaranteed debt obligations are not rated at least F1+ by Fitch, an amount equal to 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 three-twelfths of the anticipated aggregate annual amount payable in respect of the items specified in paragraphs (a) to (c) of the Pre-Acceleration Revenue Priority of Payments, plus £7,000,000 or such other amount (not less than 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) of the Pre-Acceleration Revenue Priority of Payments, plus £7,000,000) as notified by the Cash Manager to Fitch from time to time; and

(ii) 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) of the Pre-Acceleration Revenue Priority of Payments plus £7,000,000;

Reserve Ledger — The ledger on the relevant Deposit Account of such name maintained by the Cash Manager pursuant to the Cash Management Agreement, to record the crediting of Revenue Receipts and (where applicable) proceeds of Term Advances 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;

(c) recoveries of interest from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed;

(d) any deemed Revenue Receipts; and

(e) any proceeds from (i) the sale of any Loans or (ii) the repurchase of Loans, in each case representing fees, Accrued Interest and Arrears of Interest;

RFTS Effective Date 30 April 2018;

Ring Fencing Transfer Scheme The ring fencing transfer scheme under Part VII of the Financial Services and Markets Act 2000;

Sale Proceeds The cash proceeds realised from the sale of Selected Loans and their Related Security;

Sarbanes-Oxley Act The U.S. Sarbanes-Oxley Act of 2002;

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 of the Conditions (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 (Taxation) of the Conditions;

Scheduled Payment Date In relation to payments under the Covered Bond Guarantee, each Interest Payment Date or the relevant

	Final Maturity Date as if the Covered Bonds had not become due and repayable prior to their relevant Final Maturity Date or Extended Due for Payment 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), Condition 6(c) and Condition 6(d) of the Conditions (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 specifies that an Extended Due for Payment Date is applicable to the relevant Covered Bonds, as if the maturity date of the Covered Bonds had been the Extended Due for Payment Date;
Scottish Declaration of Trust	Each declaration of trust in relation to the relevant Scottish Loans and their Related Security made pursuant to the Mortgage Sale Agreement by means of which the sale of such Scottish Loans and their Related Security by the Seller to the Issuer and the transfer of the beneficial interest therein to the Issuer are given effect;
Scottish Loans	A Loan secured by a Scottish Mortgage;
Scottish Mortgage	A first priority standard security over a heritable Property or Property held under a long lease located in Scotland;
Scottish Sub-Security	The standard security to be executed pursuant to Clause 3.5 of the Deed of Charge;
Scottish Supplemental Charge	Each supplemental assignation in security granted by the LLP in favour of the Security Trustee pursuant to Clause 3.6 (*Scottish Trust Security*) of 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), any Receiver or other appointee of the Security Trustee, the Bond Trustee (in its own capacity and on behalf of the Covered Bondholders), any appointee of the Bond Trustee, the Covered Bondholders, the Couponholders, the Issuer, the Seller, the Servicer, the Account Bank, the Cash

	Manager, the Swap Providers, the Corporate Services Provider, the Agents 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 to pay and discharge pursuant to the Deed of Charge and all claims, demands or damages for breach of any such covenant, and references to Secured Obligations includes references to any of the same;
Securities Act	United States Securities Act of 1933, as amended;
Securities and Exchange Law	The Securities and Exchange Law of Japan;
Security	The meaning given in the section of this Prospectus entitled "*Summary of the Principal Documents*" on page 204;
Security Interest	Any mortgage, sub mortgage, charge, sub charge pledge, lien (other than a lien arising in the ordinary course of business or by operation of law) or other encumbrance or security interest howsoever created or arising;
Security Trustee	Citicorp Trustee Company Limited, in its capacity as security trustee under the Trust Deed and the Deed of Charge together with any successor security trustee or additional security trustees appointed from time to time thereafter;
Selected Loan Repurchase Notice	A notice substantially in the form set out in Schedule 13 to the Mortgage Sale Agreement, 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;
Selected Loans Offer Notice	A notice substantially in the form set out in Schedule 9 to the Mortgage Sale Agreement, and served in accordance with the terms of the Mortgage Sale Agreement;
Selection Date	The meaning given in Condition 6 in the section of this Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 117;
Seller	NatWest and any New Seller, and **Sellers** means all of them together;

Seller Arranged Policy	Any Buildings Insurance Policy arranged by the Seller for the purposes of a Borrower insuring the Property for an amount equal to the full rebuilding cost of the Property;
Seller Standard Variable Rate	The NWB Standard Variable Rate;
Series	Means (a) with respect to N Covered Bonds, each N Covered Bond made out in the name of a specific Covered Bondholder; and (b) in any other case 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;
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, Receipts and Coupons are to be made; (c) alteration of the quorum or 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 of the Programme Conditions and, in the case of an N Covered Bond, the equivalent Condition in the N Covered Bond Conditions, 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 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 or this definition;

Servicer — NatWest in its capacity as Servicer under the Servicing Agreement, together with any successor servicer appointed from time to time, as the context so permits;

Servicer Event of Default — The meaning given in the section of this Prospectus entitled "*Summary of the Principal Documents*" on page 181;

Servicer Termination Event — The meaning given in the section of this Prospectus entitled "*Summary of the Principal Documents*" on page 181;

Servicing Agreement — The servicing agreement entered into on the Initial Programme Date between the LLP, NWHL and RBS as Servicers and the Security Trustee, as novated on 1 November 2012 pursuant to the Deed of Novation in respect of the transfer of NWHL's role as Servicer to NatWest and as amended, restated, replaced, varied, novated and/or supplemented from time to time;

Share Trustee — Intertrust Corporate Services Limited (formerly known as SFM Corporate Services Limited) having its registered office at 35 Great St. Helen's London EC3A 6AD;

SONIA — Sterling Overnight Index Average;

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 — If applicable, as specified in the applicable Final Terms;

Specified Period — If applicable, as specified 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;

Sterling Equivalent — In relation to a Term Advance or a Series of Covered Bond which is denominated in (a) a currency other than Sterling, the Sterling equivalent of such amount ascertained using the relevant Covered Bond Swap Rate relating thereto and (b) Sterling, the applicable amount in Sterling thereto;

Subsidiary — Any company which is for the time being a subsidiary (within the meaning of Section 1159 of the Companies Act 2006 of Great Britain);

Substitution Assets — Each of:

(a) Sterling gilt-edged securities;

(b) Sterling demand or time deposits, provided that in all cases such investments have a remaining period to maturity of one (1) 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 AA-/F1+ by Fitch or their equivalents by two (2) other internationally recognised rating agencies; and

(c) Sterling denominated government and public securities, as defined from time to time in accordance with the RCB Regulations, provided that such investments have a remaining period to maturity of one (1) year or less and which are rated at least Aaa by Moody's and F1+ by Fitch or their equivalents by two (2) other internationally recognised rating agencies,

	provided in each case that such Substitution Assets comply with the requirements of Regulation 2(1A) 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 137;
Swap Agreements	The Covered Bond Swap Agreement(s) together with the Interest Rate 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 Account	Any account in the name of the LLP and any additional or replacement accounts opened in the name of the LLP from time to time held with the Account Bank or with a relevant additional or alternative account bank, as applicable, into which Swap Collateral in respect of the Interest Rate Swap or a Covered Bond Swap may be deposited in accordance with the terms of any applicable Swap Agreement;
Swap Collateral Account Bank	HSBC Bank plc in its capacity as such under the Swap Collateral Account Agreement together with any successor, additional or replacement account bank or any additional or alternative account bank appointed by the LLP from time to time pursuant to a relevant bank account agreement entered into by (among others) the LLP, the relevant successor, additional, replacement or alternative account bank and the Security Trustee;
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 relevant Swap Agreements and ultimately upon termination of the relevant Swaps;

Swap Collateral Ledger	The ledger (including any sub-ledgers) maintained by the Cash Manager pursuant to the Cash Management Agreement on any Swap Collateral Account, to record the crediting of any Swap Collateral and any debiting of the same;
Swap Provider Default	The occurrence of an Event of Default or Termination Event (each as defined in each of the relevant 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	Each Covered Bond Swap Provider and the Interest Rate Swap Provider, and each a **Swap Provider**;
Swap Provider Tax Payment	The meaning given in Clause 17.5 (Termination Payments, indemnities and tax credits received in respect of swaps, premiums received in respect of replacement swaps) of the LLP Deed;
Swaps	The Covered Bond Swaps together with the Interest Rate Swaps, and each a **Swap**;
Talons	The meaning given in the section of this Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 94;
TARGET2 System	Trans-European Automated Real-time Gross Settlement Express Transfer System (**TARGET2**) or any successor thereof;
Tax Credit	The meaning given to it in the relevant Swap Agreement;
Temporary Global Covered Bond	The meaning given in the section of this Prospectus entitled "*Form of Covered Bonds*" on page 79;
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) amounts paid to the Seller by way of a cheque which the Seller is unable to recoup from the payee, or which cheque is dishonoured for any reason whatsoever;

(d) payments by the Borrower of any fees and other charges which are due to the Seller;

(e) 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;

(f) 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);

(g) (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);

(h) any amounts owed to the Seller pursuant to Clause 6 (*Trust of Monies*) of the Mortgage Sale Agreement;

(i) 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; and

(j) any amounts representing overpayments made on behalf of a Borrower by the Department of Work and Pensions which the Department of Work and Pensions subsequently seeks to recover;

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;

Tracker Rate The meaning given in the section of this Prospectus entitled "*The Loans and the Portfolio*" on page 151;

Tracker Rate Loan Loans to the extent that and for such period that the relevant Mortgage Conditions provide that they are subject to an interest rate which is linked to a variable interest rate other than the Seller Standard Variable Rate;

Tranche Covered Bonds (other than N Covered Bonds) which are identical in all respects (including as to listing);

Transaction Account The account designated as such (the initial details of which are sort code 160400, account number 31303283) in the name of the LLP held with the Account Bank and maintained subject to the terms of the Bank Account Agreement and the other Transaction Documents and/or such other replacement or additional accounts as may for the time being be held in the name of the LLP in accordance with the terms of the Transaction Documents and designated as such and where the context requires, in a Bank Account Agreement, and references to **Transaction Account** shall be deemed to be references to any additional or replacement account held in the name of the LLP;

Transaction Documents

(a) Mortgage Sale Agreement;

(b) Each Scottish Declaration of Trust;

(c) Servicing Agreement;

(d) Asset Monitor Agreement;

(e) Intercompany Loan Agreement;

(f) LLP Deed;

(g) Cash Management Agreement;

(h) Interest Rate Swap Agreement;

(i) Each Covered Bond Swap Agreement;

(j) Bank Account Agreement;

(k) Corporate Services Agreement;

(l) 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);

(m) Trust Deed;

(n) Agency Agreement;

(o) Swap Collateral Account Bank Agreement;

(p) Programme Agreement;

(q) each set of Final Terms ((i) as applicable in the case of each issue of listed Covered Bonds subscribed pursuant to a subscription agreement; and (ii) in respect of any Series of N Covered Bonds);

(r) each Subscription Agreement (as applicable in the case of each issue of listed Covered Bonds subscribed pursuant to a subscription agreement);

(s) Master Definitions and Construction Agreement; and

(t) each document, agreement or indenture ancillary or supplemental to any of the documents specified in paragraphs (a) to (s) (inclusive) above;

and 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 the section of this Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 94;

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 Initial Advance; (b) Capitalised Expenses; (c) Capitalised Interest; and (d) any increase in the principal amount of a Loan due to any Additional Loan Advance and/or Flexible Loan Drawing, in each case relating to such Loan less any prepayment, repayment or payment of the foregoing made on or prior to that date;
Trust Deed	The meaning given in the section of this Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 93;
UCITS Directive	The meaning given on page 229;
UK Listing Authority	The UK Listing Authority, which is the Financial Conduct Authority acting under Part VI of the FSMA;
Unfair Practices Directive	The meaning given on page 69;
Underpayment	A payment by a Borrower in an amount less than the Monthly Payment then due on the Loan;
UTCCR	Unfair Terms in Consumer Contracts Regulations 1999 as amended and the Unfair Terms in Consumer Contracts Regulations 1994;
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 times 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 in respect of the valuation of a Property;
Variable Interest Covered Bond	A Covered Bond in respect of which payments of

	interest may vary pursuant to the terms thereof during the term of such Covered Bond (as indicated in the applicable Final Terms);
Variable Rate Flexible Loan	Any Loan, the rate of interest on which is set in accordance with the NWB Flexible Choice Rate or such other flexible rate employed by the Seller from time to time;
Variable Rate Loans	Those Loans to the extent that and for such period that their Mortgage Conditions provide that they are subject to a rate of interest which may at any time be varied in accordance with the relevant Mortgage Conditions (and shall, for the avoidance of doubt, exclude Loans during the period that are Fixed Rate Loans, Capped Rate Loans or Tracker Rate Loans);
Yield Shortfall Test	The test as to whether the aggregate amount of interest on the Loans, together with amounts under the Interest Rate Swap Agreement due to be received by the LLP during the relevant LLP Payment Period, would give a yield on the Loans of at least LIBOR plus 0.15%;
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.

ISSUER

National Westminster Bank Plc
Registered Office
250 Bishopsgate
London EC2M 4AA

THE LLP

NatWest Covered Bonds Limited Liability Partnership
1 Princes Street
London EC2R 8BP

SECURITY TRUSTEE AND BOND TRUSTEE

Citicorp Trustee Company Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

PRINCIPAL PAYING AGENT,
REGISTRAR
AND
TRANSFER AGENT

Citibank, N.A., London Branch
Citigroup Centre
Canada Square, Canary Wharf
London E14 5LB

LEGAL ADVISERS

To the Issuer, the LLP and the Seller as to English law
Allen & Overy LLP
Bishops Square
London E1 6AD

To the Issuer, the LLP and the Seller as to Scots law
CMS Cameron McKenna LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EN

To the Issuer, the LLP and the Seller as to German law
Allen & Overy
Taunustor 2
60311 Frankfurt am Main
Germany

To the Arranger and Dealers as to English Law
Linklaters LLP
One Silk Street
London EC2Y 8HQ

To the Arranger and Dealers as to German law
Linklaters
Mainzer Landstrasse 162
60325 Frankfurt am Main
Germany

To the Security Trustee and the Bond Trustee as to English law
Dentons UK and Middle East LLP
One Fleet Place
London EC4M 7WS

AUDITOR

To the LLP and the Issuer
Ernst & Young LLP

ARRANGER AND DEALER

NatWest Markets Plc
250 Bishopsgate
London
EC2M 4AA

ANNEX 1

ANNUAL REPORT AND ACCOUNTS OF THE LLP TOGETHER WITH THE AUDIT REPORTS THEREON FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

Company Registered Number: OC349504

NATWEST COVERED BONDS LIMITED LIABILITY PARTNERSHIP
(formerly known as RBS Covered Bonds Limited Liability Partnership)

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2018

NATWEST COVERED BONDS LIMITED LIABILITY PARTNERSHIP **OC349504**

MEMBERS REPORT AND FINANCIAL STATEMENTS 2018

CONTENTS **Page**

MEMBERS AND PROFESSIONAL ADVISERS	1
STRATEGIC REPORT	2
MEMBERS' REPORT	5
INDEPENDENT AUDITOR'S REPORT	6
PROFIT AND LOSS ACCOUNT	8
BALANCE SHEET	9
STATEMENT OF CHANGES IN EQUITY	10
NOTES TO THE FINANCIAL STATEMENTS	11

NATWEST COVERED BONDS LIMITED LIABILITY PARTNERSHIP **OC349504**

MEMBERS' AND PROFESSIONAL ADVISERS

DESIGNATED MEMBERS:	NatWest Covered Bonds (LM) Limited (formerly known as RBS Covered Bonds (LM) Limited) National Westminster Bank plc
MANAGEMENT COMMITTEE	Scott Forrest Robert Begbie Calum Woods Peter Harris Helen Williams Intertrust Directors 1 Limited
REGISTERED OFFICE:	1 - 2 Princes Street London United Kingdom EC2R 8BP
INDEPENDENT AUDITOR:	Ernst & Young LLP Chartered Accountants and Statutory Auditor 25 Churchill Place Canary Wharf London E14 5EY
BANKERS:	Societe Generale Corporate & Investment Banking SG House 41 Tower Hill London United Kingdom EC3N 4SG

STRATEGIC REPORT

ACTIVITIES AND BUSINESS REVIEW

The Members present their annual report for NatWest Covered Bonds Limited Liability Partnership ("the LLP") for the year ended 31 December 2018.

Activity
The LLP is a special purpose vehicle whose principal activity is the acquisition, management and sale of mortgage loans and their related security to guarantee the Covered Bonds issued by the National Westminster Bank plc ("NW plc"). The mortgage loans and the funding to acquire these loans originated from NW plc.

Business review
The members are satisfied with the LLP's performance in the year.

The members recognise that the implementation of the accounting policies in respect of derivative contracts to which the LLP is a party, as set out in note 1 to the financial statements may result in volatility in the profit and loss account. The profit for the year of £59,076k (2017: loss £34,347k) was principally due to the impact of these accounting policies. The members do not consider that this application of accounting principles will affect the long term commercial integrity of the Company or its expected performance over the life of the securitisation structure.

The Independent Commission on Banking's (ICB) structural reform required banks to ensure certain activities and services are undertaken in a ring-fenced bank (RFB) by 1 January 2019. The Royal Bank of Scotland Group's (the 'Group') implementation of structural reform resulted in the reorganisation of some of the legal entities in the Group and the transfer of assets and liabilities between the RFB and other entities of the group. As a result,

- NatWest Markets Plc as one of the members of the LLP, resigned and transferred its interest in the LLP, to National Westminster Bank Plc. The roles of arranger and dealer in relation to the Covered Bond Programme remain with NatWest Markets Plc.
- National Westminster Bank Plc became the issuer under the Covered Bond Programme and. it has also assumed certain additional roles under the programme.
- RBS Covered Bonds Limited Liability Partnership was renamed NatWest Covered Bonds LLP (the LLP).
- LLP distributed £19m to NatWest Markets Plc on 30th of April 2018 in lieu of the portion of guarantee fee attributable to NatWest Markets Plc.
- Adam & Company PLC was renamed "The Royal Bank of Scotland plc", and The Royal Bank of Scotland plc was renamed "NatWest Markets Plc.

There has been no identifiable deterioration in the ongoing cash flows from the securitised assets. Accordingly, the members are satisfied with the LLP's performance during the period under review and it is the intention of the members that the LLP will continue with its current activities.

FINANCIAL PERFORMANCE

The LLP's financial performance is presented on pages 8 to 10.

Net interest income increased by £43,066k (2017: Net interest expense increased by £8,636k) and non-interest expenses increased by £(1,339)k (2017: decrease £320k). After foreign exchange loss on loans and borrowings of £26,660k (2017: £140,403k), fair value gain on derivatives of £23,203k (2017: £83,477k), other income of £54,944k (2017: £59,661k) and impairment releases of £266k (2017: nil), the profit and total comprehensive income for the year was £59,076k (2017: loss £34,347k).

The Covered Bonds are issued by NW plc, with the proceeds paid across to the LLP on issuance by way of an intercompany loan. The amount of the Covered Bonds in issue as at 31 December 2018 was £5,160,017k (2017: £6,022,258k).

LLP distributed £19m (2017: £nil) to NatWest Markets Plc on 30th of April 2018 in lieu of the portion of guarantee fee attributable to NatWest Markets Plc.

At the end of the year, the Balance Sheet showed total assets of £6,514,431k (2017: £7,456,384k) which include income-generating assets, being the interest in mortgage assets net of principal repayments of £6,947,864k (2017: £8,903,682k) and loan from originator £1,038,593k (2017: £2,137,457k).

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

The LLP seeks to minimise its exposure to financial risks other than equity and credit risk.

Management focuses on both the overall balance sheet structure and the control, within prudent limits, of risk arising from mismatches, including currency, maturity, interest rate and liquidity. It is undertaken within limits and other policy parameters set by the Group Asset and Liability Management Committee (Group ALCO).

The LLP is funded by facilities from NW plc. These are denominated in the functional currency and carrying no significant financial risk.

The LLP's assets mainly comprise advances, cash balances and derivatives which would expose it to market, currency, liquidity, capital, credit and operational risk except that the counterparties are group companies and credit risk is not considered significant.

Market risk
Market risk is the potential for loss as a result of adverse changes in risk factors including interest rates, equity prices and other rates, prices, volatilities, correlations or other market conditions, such as liquidity.

The principal market risk that the LLP is exposed to is interest rate risk.

An interest rate swaps are used to hedge the risk associated with variable cash flows arising from the mortgage assets. The rates are booked on an arm's length basis with NW plc and are reviewed on at least a monthly basis.

Currency risk
Currency risk is hedged using cross currency swaps booked with NW plc, and the position is reviewed on at least a quarterly basis.

Liquidity risk
The LLP is structured to ensure that the liquidity risk to the LLP is minimised. The LLP receives cashflows from mortgages that are passed on to the originators via deferred consideration mechanism. Additionally, the LLP does not have any liability requiring it to maintain liquid cash reserve to meet its obligations.

Capital risk
The capital structure of the LLP consists of members' interest attributable to members of the LLP. The members manage the capital activities of the LLP ensuring that it is able to continue as a going concern and meet the requirements of relevant Regulated Covered Bonds Regulations and LLP deed.

Credit risk
The objective of credit risk management is to enable the LLP to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved appetite for the risk that customers will be unable to meet their obligations to the LLP.

The mortgages receivables purchased by the LLP are prime, seasoned loans (plus a limited amount of further advances). As at 31 December 2018 the arrears rate (three or more payments missed) in the portfolio is 0.09% (2017: 0.03%). Deferred consideration is payable to NW plc dependent on the performance of the mortgage receivables and is paid through the excess spread mechanism described in the accounting policies. NW plc, as counterparty to the LLP, has a Moody's short term rating of P-1.

GOING CONCERN

The members, having made such enquiries as they considered appropriate and having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, have prepared the financial statements on a going concern basis.

STRATEGIC REPORT

MEMBERS' INTERESTS

The policy regarding the allocation of profits to members and the treatment of members' interests is set out in note 1 to the financial statements.

MEMBERS' RESPONSIBILITIES STATEMENT

The members, in accordance with the Companies Act 2006, are responsible for preparing the members' report and the financial statements in accordance with applicable laws and regulations.

The laws applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations"), requires the members to prepare a members' report and financial statements for each financial year. Under that law, the members have elected to prepare the financial statements in accordance with Financial Reporting Standards (FRS) 101 Reduced Disclosure Framework, and must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit and loss for the financial year as far as concern members of the LLP.

In preparing these financial statements, under International Accounting Standard 1, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 has been followed, and
- make an assessment of the LLP's ability to continue as a going concern.

Under the Regulations, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and to enable them to ensure that the members' report and financial statements comply with those regulations. They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITOR

The members at the date of approval of this report confirm that:

- so far as the members are aware there is no relevant audit information of which the LLP's auditor is unaware; and
- each member has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the LLP's auditor is aware of that information.

This confirmation is given pursuant to section 418 of Companies Act 2006 as applying to limited liability partnerships.

Approved by the members

Susan Abrahams
per pro Intertrust Directors 1 Limited
as Director of NatWest Covered Bonds (LM) Limited,
as Designated Member
9/7/2019

Robert Begbie
On behalf of
National Westminster Bank plc
as Designated Member
9/7/2019

NATWEST COVERED BONDS LIMITED LIABILITY PARTNERSHIP **OC349504**

MEMBERS' REPORT

The Members present their report for NatWest Covered Bonds Limited Liability Partnership ("the LLP") for the year ended 31 December 2018. The Strategic Report includes the review of the year, financial performance, disclosure of information to auditor and principal risks and uncertainties report.

CHANGE OF NAME

The Company changed its name from RBS Covered Bonds Limited Liability Partnership to NatWest Covered Bonds Limited Liability Partnership on 18th April 2018 to comply with the requirements of ring-fencing.

MEMBERS

The present members of the management committee, who have served throughout the year, except as noted below, are listed on page 1.

From 1 January 2018 to date the following changes have taken place:

	Appointed	Resigned
Management committee		
Michael Larkin	-	31 May 2018
Moray McDonald	-	01 October 2018
Justin Fox	-	01 October 2018
Helen Williams	01 August 2018	-
Calum Woods	01 October 2018	-
Peter Harris	01 October 2018	-

INDEPENDENT AUDITOR

Ernst & Young LLP has expressed its willingness to continue in office as auditor. Pursuant to section 487 of the Companies Act 2006 Ernst & Young LLP, subject to any resolution to the contrary, is deemed to have been re-appointed as auditor of the Company.

Approved by the members and signed on their behalf:

Susan Abrahams
per pro Intertrust Directors 1 Limited
as Director of NatWest Covered Bonds (LM) Limited,
as Designated Member
9/7/2019

Robert Begbie
On behalf of
National Westminster Bank plc
as Designated Member
9/7/2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATWEST COVERED BONDS LIMITED LIABILITY PARTNERSHIP

Opinion

We have audited the financial statements of NatWest Covered Bonds Limited Liability Partnership for the year ended 31 December 2018 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies act 2006) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the members' use of the non-going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The members are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATWEST COVERED BONDS LIMITED LIABILITY PARTNERSHIP

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of members

As explained more fully in the Statement of Members' responsibilities, set out on page 4, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Simon Ludlam (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Chartered Accountants and Statutory Auditor,
London, United Kingdom
_____2019

NATWEST COVERED BONDS LIMITED LIABILITY PARTNERSHIP **OC349504**

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2018

Continuing operations	**Notes**	**2018 £'000**	2017 £'000
Interest receivable	**3**	**225,214**	266,867
Interest payable	**4**	**(209,600)**	(294,319)
Net interest income/(expense)		**15,614**	(27,452)
Fees and commissions payable	**5**	**(8,261)**	(9,601)
Auditors' remuneration	**6**	**(30)**	(29)
Operating profit/(loss)		**7,323**	(37,082)
Foreign exchange loss on loans and borrowings		**(26,660)**	(140,403)
Fair value gain on derivatives		**23,203**	83,477
Other income	**7**	**54,944**	59,661
Impairment releases		**266**	-
Profit/(loss) and total comprehensive income/(loss) for the financial year		**59,076**	(34,347)

The accompanying notes form an integral part of these financial statements.

NATWEST COVERED BONDS LIMITED LIABILITY PARTNERSHIP **OC349504**

BALANCE SHEET
as at 31 December 2018

	Notes	2018 £'000	2017 £'000
Fixed assets			
Deemed loan to originator	11	**4,434,448**	5,368,915
Derivatives	12	**343,862**	333,927
		4,778,310	5,702,842
Current assets			
Deemed loan to originator	11	**1,474,998**	1,402,323
Prepayments, accrued income and other assets	10	**4,972**	2,334
Derivatives	12	**67,592**	150,026
Cash at bank	9	**188,559**	198,859
Total current assets		**1,736,121**	1,753,542
Total assets		**6,514,431**	7,456,384
Current liabilities			
Derivatives	12	**333**	359
Accruals, deferred income and other liabilities	13	**112,007**	153,485
Loans and borrowings	14	**-**	887,590
		112,340	1,041,434
Total assets less current liabilities		**6,402,091**	6,414,950
Non-current liabilities			
Derivatives	12	**14,332**	27,290
Accruals, deferred income and other liabilities	13	**165,553**	232,067
Loans and borrowings	14	**5,160,017**	5,134,668
		5,339,902	5,394,025
Total liabilities		**5,452,242**	6,435,459
Net assets		**1,062,189**	1,020,925
Equity			
Profit and loss account		**885,543**	817,013
Revenue reserves		**176,646**	203,912
Total members' interest		**1,062,189**	1,020,925
Total members' interest and liabilities		**6,514,431**	7,456,384

The accompanying notes form an integral part of these financial statements.

The financial statements of the LLP were approved by members on 9/7/2019 and signed on their behalf by:

Susan Abrahams
per pro Intertrust Directors 1 Limited
as Director of NatWest Covered Bonds (LM) Limited,
as Designated Member
9/7/2019

Robert Begbie
On behalf of
National Westminster Bank plc
as Designated Member
9/7/2019

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	Note	Revenue reserves £'000	Profit and loss account £'000	Total £'000
At 1 January 2017		213,268	851,360	1,064,628
Movement in revenue reserve	15	(9,356)	-	(9,356)
Loss and total comprehensive loss for the year		-	(34,347)	(34,347)
At 31 December 2017		203,912	817,013	1,020,925
IFRS 9 transition adjustment		-	(2,483)	(2,483)
Movement in revenue reserve	15	3,752	-	3,752
Profit and total comprehensive income for the year		-	59,076	59,076
Distribution of profit	8	-	(19,081)	(19,081)
Write-off of NatWest Markets Plc (NWM Plc) revenue reserve		(31,018)	31,018	-
At 31 December 2018		176,646	885,543	1,062,189

Total profit for the year of £59,076k (2017: loss £34,347k) was wholly attributable to the members of the LLP.

The movement of £31m between Revenue Reserve and Profit and Loss account is on account of resignation of NatWest Markets Plc as one of the members of the LLP.

The LLP distributed £19m to NatWest Markets Plc on 30th of April 2018 in lieu of the portion of guarantee fee attributable to NatWest Markets Plc.

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

a) Preparation and presentation of financial statements

These financial statements are prepared:

- on a going concern basis;
- under Financial Reporting Standard (FRS) 101 *Reduced Disclosure Framework* in accordance with the recognition and measurement principles of International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the EU (together IFRS); and
- on the historical cost basis except that the derivative assets and liabilities are stated at their fair value.

The LLP has early adopted all of the amendments to FRS 101 as a result of the Triennial review 2017 amendments with effect from 1st January 2018.

The LLP is registered in England and the financial statements are presented:

- in accordance with the relevant provisions of Part XV of the Companies Act 2006, as applying to LLP's:
- in Sterling which is the functional currency of the LLP: and
- with the benefit of the disclosure exemptions permitted by FRS 101 with regard to:
  - cash-flow statement;
  - standards not yet effective;
  - related party transactions; and
  - disclosure requirements of IFRS 7 "Financial Instruments: Disclosure and IFRS 13 "Fair Value Measurement".

Where required, equivalent disclosures are given in the group accounts of The Royal Bank of Scotland Group plc, these accounts are available to the public and can be obtained as set out in note 16.

The changes to IFRS that were effective from 1 January 2018 have had no material effect on the LLP's financial statement for the year ended 31 December 2018.

b) Foreign currencies

Transactions in foreign currencies are translated into Sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Foreign exchange differences arising on translation are reported in profit or loss.

c) Revenue recognition

Interest income on financial assets that are classified as loans and receivables and interest expense on financial liabilities other than those at fair value through profit or loss, are determined using the effective interest rate method.

Effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount.

d) Excess spread

The LLP is obliged to meet certain costs and expenses, including credit losses, out of income received from the interest in residential mortgage receivables. To the extent that there is a surplus ("excess spread") after all obligations have been met, this amount will be passed back as a deferred consideration to NW plc subject to the retention of £3,000 per annum. For the year to 31 December 2018 the retained amount is £3,000 (2017: £3,000).

e) Operating expenses

Operating expenses are recognised by the LLP as they are incurred on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

f) Provisions
The LLP recognises a provision for a present obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably.

g) Financial guarantees
Financial guarantees are contracts that require the LLP to make specific payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised as financial liabilities at fair value on the date that the guarantee was given and subsequently measured at the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18. Fair value is presumed to be equal to premium unless there is evidence to the contrary.

h) Financial instruments
On initial recognition, financial instruments are measured at fair value. Subsequently they are measured as follows: amortised cost, the default class for liabilities; or fair value through profit or loss, the default class for assets. Regular way purchases of financial assets classified as amortised cost are recognised on the settlement date; all other regular way transactions in financial assets are recognised on the trade date.

Amortised cost assets – have to meet both the following criteria:
- the asset is held within a business model whose objective is solely to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset are solely payments of principal and interest on the outstanding balance.

Amortised cost liabilities – all liabilities that are not subsequently measured at fair value are measured at cost.

Fair value through profit or loss - a financial liability is measured initially at fair value if it arises from: a financial guarantee contract; a commitment to lend at below market rates; an obligation arising from the failed sale of an asset; or a contingent consideration for a business acquisition. Fair value through profit or loss is the default classification for a financial asset.

i) Impairment of financial assets
At each balance sheet date each financial asset or portfolio of loans measured at amortised cost is assessed for impairment. Loss allowances are forward looking, based on 12 month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

Expected credit losses are a probability-weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. In the absence of a change in credit rating, allowances are recognised when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, allowances are recognised without a change in the expected cash flows, although typically expected cash flows do also change; and expected credit losses are rebased from 12 month to lifetime expectations.

j) Deemed loan to originator
Under IFRS, if a transferor retains substantially all the risks and rewards associated with the transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective. The members of the LLP have concluded that NW plc has retained substantially all the risks and rewards of the pool of mortgage loans and as a consequence, the LLP does not recognise the mortgage loans on its balance sheet but rather a deemed loan to originator, where recourse to NW plc is limited to the cash flows from the mortgage loans and any additional credit enhancement provided by NW plc through excess spread.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

i) Deemed loan to originator (continued)
The initial amount of the deemed loan to NW plc corresponds to the collateral value of mortgage loans reduced by capital contribution ('loan from originator'). The LLP recognises principle and interest cash flows from the underlying pool of mortgage loans as interest income. Cash flows attributable to NW plc, which are not retained by the LLP are recognised as interest expense. Under the terms of the mortgage sale agreement, NW plc retains the right to receive excess income arising on those loans, after certain higher priority payments have been met by the LLP.

The capital contribution is carried at amortised cost using the effective interest rate method. The effective interest is calculated with reference to the interest earned on the beneficial interest in the mortgage portfolio less the residual interest due to NW plc. Adjustments under the effective interest rate method are taken to revenue reserves, as it relates to the members contribution (see note 15).

A further fair value adjustment applied to the deemed loan to the originator is for a guarantee provided by the LLP by its interest in residential mortgage receivables to the issuer (NW plc) on any Covered Bonds it may issue under the programme (see note 1(g)).

The deemed loan to the originator is subject to impairment reviews in accordance with IFRS 9. A charge for impairment would be recognised where there are indicators of impairment in the underlying mortgage assets. This could occur if the credit quality of the mortgage assets that are pledged as collateral for the loan significantly deteriorated. The fact that the mortgage issuer NW plc have the option of purchasing distressed mortgages from the mortgage pool (and have always exercised this option in the past) lowers the likelihood of impairment.

j) Derivative financial instruments
The LLP's activities expose the LLP to the financial risks associated with changes in interest rates. The LLP uses interest rate swaps to manage these exposures.

Interest rate swaps have been entered into as the LLP is subject to various interest rates payable on the loans in the portfolio into a rate calculated by reference to one-month Sterling LIBOR.

Currency swaps have been entered into as the LLP receives inflows in Sterling but has some outflows in Euros. The Euro currency note flows are swapped from an equivalent Sterling flow.

Hedge accounting has not been adopted by the LLP; hence changes in the fair value of derivative instruments are recognised in the profit and loss account as they arise.

Derivative financial instruments are recognised in the financial statements and measured both initially and subsequently at fair value, with movements recognised in income. Derivative fair values are determined using appropriate pricing or valuation models.

k) Taxation
Taxation on all LLP profits is solely the personal liability of each member, consequently, neither taxation nor related deferred taxation in the LLP are accounted for in these financial statements.

l) Critical accounting estimates and judgements
The reported results of the LLP are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. In accordance with their responsibilities for these financial statements, the estimates the members consider most important to the portrayal of the LLP's performance and financial condition are discussed below.

Fair value – financial instruments
Financial instruments classified as fair value through profit or loss are recognised in the financial statements at fair value. All derivatives are measured at fair value. Gains or losses arising from changes in the fair value of financial instruments are included in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

l) Critical accounting estimates and judgements (continued)

Financial instruments measured at fair value are interest rate and currency swaps. They may be traded on an organised exchange (exchange traded) or over-the-counter (OTC). Holders of exchange traded derivatives are generally required to provide margin daily in the form of cash or other collateral.

A swap is an agreement to exchange cash flows in the future in accordance with a pre-arranged formula. In currency swap transactions, interest payment obligations are exchanged on assets and liabilities denominated in different currencies. The exchange of principal may be notional or actual. Interest rate swap contracts generally involve exchange of fixed or floating interest payment obligations without the exchange of underlying principal amounts.

Fair value – Loans
The loan from originator is contractually interest free, but in terms of IFRS9, this needs to be held at amortised cost using the effective interest rate method, resulting in an EIR adjustment to the loan and recognition of a revenue reserve. The loan from originator has been netted off against the deemed loan to originator.

m) Segmental reporting
All of the LLP's business is transacted within the United Kingdom. The members consider the acquisition, management and sale of mortgage loans and their related security to guarantee the Covered Bonds to be a single class of business.

n) Derecognition
A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or when it has been transferred and the transfer qualifies for derecognition.

A financial liability is removed from the Balance Sheet when the obligation is discharged, or cancelled, or expires.

2. Members and employees

The LLP employed no staff during the year (2017: none). The designated members did not receive any remuneration for their qualifying services to the LLP during the year (2017: £nil).

3. Interest receivable

	2018 £'000	2017 £'000
Cash at bank	1,370	615
Interest from residential mortgage receivables	223,844	266,252
	225,214	266,867

4. Interest payable

	2018 £'000	2017 £'000
Interest on term loans payable to NW plc	144,705	194,198
Net swap interest	(65,857)	(73,487)
Excess spread	130,752	173,608
	209,600	294,319

NOTES TO THE FINANCIAL STATEMENTS

5. Fees and commission payable

	2018 £'000	2017 £'000
Professional and other fees	48	14
Management fees	8,213	9,587
	8,261	9,601

6. Auditor's remuneration

	2018 £'000	2017 £'000
Audit fees	30	29

Auditor's remuneration comprises £15,000 (2017: £15,000) for this LLP, £5,000 (2017: £5,000) paid on behalf of NatWest Covered Bonds (LM) Limited and £5,000 (2017: £5,000) paid on behalf of Natwest Covered Bonds (Holdings) Limited. Auditor's remuneration is subject to VAT of £5,000 (2017: £5,000) which is irrecoverable by the LLP.

7. Other income

	2018 £'000	2017 £'000
Amortised guarantee fee	54,944	59,661

Under the requirements of IFRS 9, the deemed loan to originator is subject to a fair value adjustment to recognise a fee for the guarantee the LLP provides by its interest in residential mortgage receivables for any Covered Bonds from the issuer (NW plc) issued under the programme (see note 1(m)). This adjustment is amortised over the life of the guarantee (see note 13).

8. Distribution of profit

	2018 £'000	2017 £'000
Distribution of profit to NWM Plc	19,081	-

9. Cash at bank

	2018 £'000	2017 £'000
Cash at bank	188,559	198,859

Cash at bank represents cash deposits only. The carrying value of these deposits is approximately equal to their fair value.

10. Prepayments, accrued income and other assets

	2018 £'000	2017 £'000
Amount due from group undertakings	4,972	2,334

11. Deemed loan to originator

	2018 £'000	2017 £'000
Interest in residential mortgage receivables	21,631,910	26,275,678
Cash receipts / principal repayments	(14,684,046)	(17,371,997)
EIR adjustments	2,264	5,014
Loans from originator	(1,038,593)	(2,137,457)
ECL provisions	(2,089)	-
Deemed loan to originator	5,909,446	6,771,238
Current assets	1,474,998	1,402,323
Fixed assets	4,434,448	5,368,915
	5,909,446	6,771,238

11. Deemed loan to originator (continued)

£4bn movement in Interest in residential mortgages vs cash receipt is on account of resignation of NatWest Markets Plc as one of the members of the LLP.

The interest in the residential mortgage receivables is offset by cash receipts and principal repayments received from those mortgages. Any further loans made from the originator to the LLP are offset against the interest in residential mortgages, along with EIR adjustments. The deemed loan to originator represents the beneficial interest in the mortgage portfolio legally held by the LLP, and represents the substance of the transaction for accounting purposes.

12. Derivatives

The LLP uses derivatives as an integral part of its activities and to manage its own interest rate and foreign exchange position. Derivative financial instruments are recognised initially, and subsequently measured, at fair value. Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models.

Notional principal amounts	**2018**	2017
	£'000	£'000
Currency swaps	**2,910,018**	3,772,258
Interest rate swaps	**9,338,481**	11,300,148
	12,248,498	15,072,406

Fair value	**2018 Asset**	**2018 Liability**	2017 Asset	2017 Liability
	£'000	**£'000**	£'000	£'000
Currency swaps	**217,456**	**-**	296,305	-
Interest rate swaps	**193,998**	**(14,665)**	187,648	(27,649)
	411,454	**(14,665)**	483,953	(27,649)

During the year net interest receipts were £65,857k (2017: £73,487k) in respect of interest rate and currency swaps.

13. Accruals, deferred income and other liabilities

	2018	2017
	£'000	£'000
Unearned guarantee fee	**180,697**	230,383
Accrued interest payable on term loan	**68,779**	103,496
Excess spread	**27,872**	51,369
Accrued audit fee	**60**	60
Management fee	**152**	244
	277,560	385,552
Amounts falling due within one year	**112,007**	153,485
Amounts falling due after one year	**165,553**	232,067
	277,560	385,552

Amounts falling due after one year represent excess spread and unearned guarantee fee income that will not fall due within the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS

14. Loans and borrowings

			2018 £'000	2017 £'000
Term loans	**Rate**	**Term**		
Series 3 term loan (EUR 2bn)	3.875%	10 years	**1,790,780**	1,775,180
Series 4 term loan (EUR 1bn)	4.125%	7 years	**-**	887,590
Series 8 term loan (GBP 1bn)	5.125%	12 years	**1,000,000**	1,000,000
Series 9 term loan (EUR 1.25bn)	0.5%	7 years	**1,119,237**	1,109,488
Series 10 term loan (GBP 1.25bn)	1.1465%	3 years	**1,250,000**	1,250,000
Term loans payable to NW plc			**5,160,017**	6,022,258
Current liabilities			**-**	887,590
Non-current liabilities			**5,160,017**	5,134,668
			5,160,017	6,022,258

15. Total members interests

	Profit and loss account £'000	Revenue reserve £'000	Loans due to/(from) members £'000	Total £'000
As at 1 January 2017	851,360	213,268	(864,521)	200,107
Net loans received from members	-	-	115,542	115,542
Revenue reserve (see note 1 (l))	-	(9,356)	-	(9,356)
Loss for the year	(34,347)	-	-	(34,347)
As at 31 December 2017	817,013	203,912	(748,979)	271,946
IFRS 9 transition adjustment	(2,483)	-	-	(2,483)
Net loans received from members	-	-	(449)	(449)
Revenue reserve (see note 1 (l))	-	3,752	-	3,752
Profit for the year	59,076	-	-	59,076
Distribution of profit	(19,081)	-	-	(19,081)
Write-off of NWM Plc revenue reserve	31,018	(31,018)	-	-
As at 31 December 2018	**885,543**	**176,646**	**(749,428)**	**312,761**

£31m movement between Revenue reserves vs P&L is on account of resignation of NatWest Markets Plc as one of the members of the LLP.

The LLP distributed £19m to NatWest Markets Plc on 30th of April 2018 in lieu of the portion of guarantee fee attributable to NatWest Markets Plc.

The movement of loans and borrowings and deemed loan to originator can be analysed as follows:

	2018 £'000	2017 £'000
(Decrease)/increase in Loans and borrowings	**(862,241)**	2,452,698
Decrease/(increase) in Deemed loan to originator	**861,792**	(2,337,156)
	(449)	115,542

16. Related parties

UK Government

The UK Government through HM Treasury is the ultimate controlling party of The Royal Bank of Scotland Group plc ("RBS"). Its shareholdings are managed by UK Government Investments Limited, a wholly-owned subsidiary, and as a result, the UK Government and UK Government controlled bodies are related parties of the LLP.

As at 31 December 2018, the LLP members are NW plc (the controlling party) and NatWest Covered Bonds (LM) Limited (the liquidation member). All of these companies are incorporated and registered in England and Wales.

NOTES TO THE FINANCIAL STATEMENTS

16. Related parties (continued)

The ultimate parent company is RBS, and copies of RBS Financial statements may be obtained from Corporate Governance and Regulatory Affairs, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

The LLP is defined as a special purpose entity in terms of IFRS 10 'Consolidated Financial Statements'. Even though NW plc does not hold any of the voting rights in the LLP, the activities of the LLP are still conducted on behalf of NW plc and it retains the majority of the residual ownership risks and benefits related to the LLP. Therefore, under IFRS 10 'Consolidated Financial Statements', the smallest group into which the LLP is consolidated is NW plc, a company incorporated in UK and registered in Scotland.

The largest group into which the LLP is consolidated is RBS, a company incorporated in the UK and registered in Scotland. Copies of the consolidated financial statements of NW plc and RBS may be obtained from Corporate Governance and Regulatory Affairs, RBS Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.