

## SANTANDER UK PLC

(incorporated with limited liability in England and Wales registered number 02294747)

€35 billion

### Global Covered Bond Programme

unconditionally and irrevocably guaranteed as to payments of interest and principal by

### ABBEY COVERED BONDS LLP

(a limited liability partnership incorporated in England and Wales registered number OC312644)

Under this €35 billion global covered bond programme (the "**Programme**"), Santander UK plc (the "**Issuer**") may from time to time issue bonds (the "**Covered Bonds**") denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below).

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

Covered Bonds may be issued in bearer or registered form. The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed €35 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 each Dealer specified under "*Overview of the Programme*" and any additional Dealer appointed by the Issuer under the Programme from time to time (each a "**Dealer**", and together, the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Prospectus to the "**relevant Dealer(s)**" shall, in the case of an issue of Covered Bonds which are to be subscribed for by one or more Dealers, be to all Dealers agreeing to subscribe for such Covered Bonds.

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as it forms part of U.K. domestic law by virtue of the European Union (Withdrawal) Act 2018 as amended, varied, superseded or substituted from time to time (the "**EUWA**") (the "**UK Prospectus Regulation**").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

Application has been made to the FCA in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "**FSMA**") for Covered Bonds issued under the Programme during the period of 12 months from the date of this Prospectus to be admitted to the official list of the FCA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Covered Bonds to be admitted to trading on the main market of the London Stock Exchange (the "**main market of the London Stock Exchange**").

This Prospectus is valid for 12 months from its date in relation to Covered Bonds which are to be admitted to trading on the main market of the London Stock Exchange and/or offered to the public in the U.K. other than in circumstances where an exemption is available under Article 1(4) and/or 3(2) of the UK Prospectus Regulation or Section 86 of the FSMA. The obligation to supplement this Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Prospectus is no longer valid.

On 1 June 2016, the Issuer was admitted to the register of issuers and the Programme and the Covered Bonds issued previously under the Programme have been admitted to the register of regulated covered bonds pursuant to Regulation 14 of the Regulated Covered Bonds Regulations 2008 (SI 2008/346) as amended by the Regulated Covered Bonds (Amendments) 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**").

References in this Prospectus to Covered Bonds being listed (and all related references) shall mean that such Covered Bonds (i) have been admitted to trading on the main market of the London Stock Exchange which is a "regulated market" in the U.K. for the purposes of Regulation (EU) No. 600/2014 on markets in financial instruments as it forms part of U.K. domestic law by virtue of the EUWA ("**UK MFIR**") and (ii) have been admitted to the Official List.

The price and amount of Covered Bonds to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions. Notice of the aggregate nominal amount of Covered Bonds, interest (if any) payable in respect of Covered Bonds, the issue price of Covered Bonds and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Covered Bonds*") of Covered Bonds will be set out in a separate document containing the final terms for that Tranche (each, a "**Final Terms Document**") which, with respect to Covered Bonds to be admitted to trading on the London Stock Exchange, will be delivered to the FCA and the London Stock Exchange on or before the date of issue of such Tranche of Covered Bonds and will also be published on the website of the London Stock Exchange through a regulatory information service (the "**RNS website**").

See "**Risk Factors**" for a discussion of factors which may affect the Issuer's ability to fulfil its obligations under Covered Bonds issued under the Programme and factors which are material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme.

The Covered Bonds and the Covered Bond Guarantee (as defined below) have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), 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) 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. See "*Form of the Covered Bonds*" for a description of the manner in which Covered Bonds will be issued. Registered Covered Bonds (as defined below) are subject to certain restrictions on transfer: see "*Subscription and Sale and Transfer and Selling Restrictions*". Prospective purchasers are hereby notified that the sellers of the Covered Bonds may be relying on the exemption from the provisions of section 5 of the Securities Act provided by Rule 144A under the Securities Act.

Amounts payable on Covered Bonds will be calculated by reference to one of the Sterling Overnight Index Average ("**SONIA**"), the Secured Overnight Funding Rate ("**SOFR**"), the Euro Short-Term Rate ("**€STR**") the Euro Interbank Offered Rate ("**EURIBOR**") or the Norwegian Interbank Offered Rate ("**NIBOR**"), as specified in the relevant Final Terms Document.

The administrators of SONIA (the Bank of England), SOFR (the Federal Reserve Bank of New York), €STR (the European Central Bank) are not currently required to obtain authorisation or registration under Article 36 of Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**") or Article 36 of Regulation (EU) 2016/1011 as it forms part of U.K. domestic law by virtue of the EUWA (the "**UK Benchmarks Regulation**") and SONIA, SOFR and €STR do not fall within the scope of the EU Benchmarks Regulation or the UK Benchmarks Regulation by virtue of Article 2 of the EU Benchmarks Regulation or the UK Benchmarks Regulation, as applicable. As at the date of this Prospectus, the administrators of EURIBOR (European Money Markets Institute) and NIBOR (Norske Finansielle Referanser) are each included in the register of administrators established and maintained by the European Securities and Markets Authority ("**ESMA**") under the EU Benchmarks Regulation but not the register of administrators established and maintained by the FCA under the UK Benchmarks Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 of the UK Benchmarks Regulation apply, such that the European Money Markets Institute (as administrator of EURIBOR) and Norske Finansielle Referanser (as administrator of NIBOR) are not currently required to obtain authorisation or registration (or, if located outside the U.K., recognition, endorsement or equivalence) under the UK Benchmarks Regulation.

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

The Covered Bonds issued under the Programme are expected on issue to be assigned an "AAA" rating by S&P Global Ratings Europe Limited ("**S&P**"), an "AAA" rating by Fitch Ratings Ltd ("**Fitch**") and an "Aaa" rating by Moody's Investors Service Limited ("**Moody's**"). Moody's and Fitch are each established in the U.K. and registered under Regulation (EU) No. 1060/2009 as it forms part of U.K. domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). Moody's and Fitch are each included in the list of credit rating agencies published by the FCA on its website (<https://www.fca.org.uk/markets/credit-rating-agencies/registered-certified-cras>) in accordance with the UK CRA Regulation. Moody's Deutschland GmbH currently endorses credit ratings issued by Moody's and Fitch Ratings Ireland Limited currently endorses credit ratings issued by Fitch for regulatory purposes in the EEA in accordance with Regulation (EC) No 1060/2009, as amended or restated (the "**EU CRA Regulation**"). Moody's Deutschland GmbH is established in Germany and Fitch Ratings Ireland Limited is established in Ireland and each has been registered under the EU CRA Regulation and is included in the list of credit rating agencies published by ESMA on its website (<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with the EU CRA Regulation. There can be no assurance that Moody's Deutschland GmbH and Fitch Ratings Ireland Limited will continue to endorse credit ratings issued by Moody's and Fitch, respectively. S&P is established in Ireland, registered under the EU CRA Regulation and included in the list of credit rating agencies published by ESMA on its website in accordance with the EU CRA Regulation. S&P Global Ratings UK Limited currently endorses credit ratings issued by S&P for regulatory purposes in the U.K. in accordance with the UK CRA Regulation. S&P Global Ratings UK Limited is established in the U.K., has been registered under the UK CRA Regulation and is included in the list of credit rating agencies published by the FCA on its website in accordance with the UK CRA Regulation. There can be no assurance that S&P Global Ratings UK Limited will continue to endorse credit ratings issued by S&P. A credit rating is not a

recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. The rating of certain Series of Covered Bonds to be issued under the Programme may be specified in the applicable Final Terms Document.

In general, EEA-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 EEA and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant non-EEA rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances).

Investors regulated in the U.K. are subject to similar restrictions under the UK CRA Regulation. As such, U.K. regulated investors are required to use for U.K. regulatory purposes ratings issued by a credit rating agency established in the U.K. and registered under the UK CRA Regulation. In the case of ratings issued by third country non-U.K. credit rating agencies, third country credit ratings can either be: (a) endorsed by a U.K. registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. In each case, this is subject to (a) the relevant U.K. registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the U.K. of existing pre-2021 ratings, provided the relevant conditions are satisfied.

In this base prospectus references to "**Santander UK**" and the "**Issuer**" are references to Santander UK plc; and references to the "**Santander UK Group**" are references to Santander UK and its subsidiaries. References to "**Banco Santander**" are references to Banco Santander, S.A. and references to the "**Banco Santander Group**" are references to Banco Santander and its subsidiaries.

**Neither the United States Securities and Exchange Commission nor any state securities commission in the United States nor any other United States regulatory authority has approved or disapproved the Covered Bonds or determined that this base prospectus is truthful or complete. Any representation to the contrary is a criminal offence in the United States.**

**Arranger for the Programme**  
SANTANDER UK PLC

**Dealers**

SANTANDER CORPORATE & INVESTMENT BANKING  
BNP PARIBAS  
CREDIT SUISSE  
HSBC  
NATWEST MARKETS  
SOCIÉTÉ GÉNÉRALE CORPORATE & INVESTMENT BANKING  
UBS INVESTMENT BANK

BARCLAYS  
COMMERZBANK  
DEUTSCHE BANK  
NATIXIS  
RBC CAPITAL MARKETS  
TD SECURITIES  
UNICREDIT

The date of this Prospectus is 30 April 2021.

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

The Issuer may issue N Covered Bonds from time to time, for which no prospectus is required to be published under the UK Prospectus Regulation and which will not be issued pursuant to (and do not form part of) this Prospectus, and will not be issued pursuant to any Final Terms Document under this Prospectus. The FCA has neither approved nor reviewed information contained in this Prospectus in connection with any N Covered Bonds.

The Issuer and the LLP (the "**Responsible Persons**") each accept responsibility for the information contained in this Prospectus and the Final Terms Document of each Tranche of Covered Bonds issued under the Programme. To the best of the knowledge of each of the Issuer and the LLP, the information contained in this Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import.

Copies of each Final Terms Document (in the case of Covered Bonds to be admitted to the Official List) will be available on the website of the Issuer at <https://www.santander.co.uk/about-santander/investor-relations/santander-uk-covered-bonds> and may be provided by the relevant Paying Agent by email following prior written request to the relevant Paying Agent (as defined below). Final Terms Documents relating to the Covered Bonds which are admitted to trading on the main market of the London Stock Exchange will be available for inspection on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see the section entitled "*Documents Incorporated by Reference*"). This Prospectus shall be read and construed on the basis that such documents are so incorporated and form part of this Prospectus approved by the FCA for the purpose of the UK Prospectus Regulation. Other than in relation to the documents which are deemed to be incorporated by reference (see the section entitled "*Documents Incorporated by Reference*"), the information on the websites to which this Prospectus refers does not form part of this Prospectus and has not been scrutinised or approved by the FCA.

The information contained in this Prospectus was obtained from the Issuer, the LLP and other sources, but no assurance can be given by the Arranger, the Dealers, the Bond Trustee or the Security Trustee (as defined below) 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 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 or the LLP in connection with the Programme. None of the Arranger, the Dealers, the Bond Trustee or 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 or the LLP in connection with the Programme. Subject as provided in the applicable Final Terms Document, the only persons authorised to use this Prospectus in connection with an offer of Covered Bonds are the persons named in the applicable Final Terms Document as the relevant Dealers.

No person is or has been authorised by the Issuer, the LLP, the Arranger, the Dealers, 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 Arranger, 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 Arranger, the Dealers, 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 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 Arranger, the Dealers, 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 the LLP 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 Arranger, the Dealers, the Bond Trustee and the Security Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or the LLP during the life of the Programme 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 in this Prospectus when deciding whether or not to purchase any Covered Bonds.

As set forth in the applicable Final Terms Document, the Covered Bonds are being offered and sold (a) in reliance on Rule 144A under the Securities Act ("**Rule 144A**") to "qualified institutional buyers" (as defined in Rule 144A) ("**QIBs**") and/or (b) in accordance with Regulation S under the Securities Act ("**Regulation S**") to non-U.S. persons in offshore transactions. Prospective purchasers are hereby notified that the sellers of the Covered Bonds may be relying on the exemption from the provisions of section 5 of the Securities Act provided by Rule 144A.

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

A determination will be made in relation to each issuance of Covered Bonds under this Prospectus about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

**MIFID II PRODUCT GOVERNANCE TARGET MARKET:** The Final Terms Document 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 (an "**EEA distributor**") should take into consideration the target market assessment; however, an EEA distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

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

**PROHIBITION OF SALES TO U.K. 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 U.K.. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of U.K. domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of U.K. domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of U.K. domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Covered Bonds or

otherwise making them available to retail investors in the U.K. has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the U.K. may be unlawful under the UK PRIIPs Regulation.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS:** The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**EU PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

**THE UK BENCHMARKS REGULATION AND THE EU BENCHMARKS REGULATION:** Interest and/or other amounts payable under the Covered Bonds may be calculated by reference to certain reference rates as specified in the Final Terms Document. Any such reference rate may constitute a benchmark for the purpose of the UK Benchmarks Regulation or the EU Benchmarks Regulation, as applicable. If any such reference rate does constitute a benchmark, the Final Terms Document or Drawdown Prospectus will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the EU Benchmarks Regulation (the "**ESMA Register**") or by the FCA pursuant to Article 36 of the UK Benchmarks Regulation (the "**UK Register**"). Not every reference rate will fall within the scope of the EU Benchmarks Regulation or the UK Benchmarks Regulation. Transitional provisions in the EU Benchmarks Regulation and the UK Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the ESMA Register or the UK Register, as applicable, at the date of the Final Terms Document or Drawdown Prospectus. The registration status of any administrator under the EU Benchmarks Regulation or the UK Benchmarks Regulation is a matter of public record and, save where required by the applicable law, the Issuer does not intend to update the Final Terms Document or Drawdown Prospectus to reflect any change in the registration status of the administrator.

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 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 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 United Kingdom, the European Economic Area (including, for these purposes, The Netherlands, the Republic of Italy, Germany, the Republic of France and Spain) and Japan. See "*Subscription and Sale and Transfer and Selling Restrictions*".

This Prospectus has been prepared on the basis that any offer of Covered Bonds in the United Kingdom will be made pursuant to an exemption under the UK Prospectus Regulation from the requirement to publish a prospectus for offers of Covered Bonds. Accordingly any person making or intending to make an offer of Covered Bonds which are the subject of an offering contemplated in this Prospectus as completed by a Final Terms Document or a drawdown prospectus (a "**Drawdown Prospectus**") in relation to the offer of those Covered Bonds may only do so in circumstances in which no obligation arises for the Issuer or the Dealers to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation, in each case, in relation to such offer. Neither the Issuer,

the LLP nor the Dealers has authorised, nor do they authorise, the making of any offer of Covered Bonds in circumstances in which an obligation arises for the Issuer, the LLP or the Dealers to publish or supplement a prospectus for such offer. Any reference in this Prospectus to Final Terms Document shall be construed as a reference to the relevant Final Terms Document or Drawdown Prospectus, as applicable.

This Prospectus has not been submitted for clearance to the *Autorité des marchés financiers* in France.

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

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

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

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

## U.S. INFORMATION

The Covered Bonds have not been approved or disapproved by the United States Securities and Exchange Commission (the "**SEC**") or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Prospectus. Any representation to the contrary is unlawful.

The Covered Bonds in bearer form are subject to U.S. federal tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to or for the account or benefit of U.S. persons, 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 the U.S. Treasury regulations promulgated thereunder.

Notwithstanding anything in this Prospectus to the contrary, each prospective investor (and each employee, representative or other agent of the prospective investor) may disclose to any and all persons, without limitation of any kind, the U.S. tax treatment and U.S. tax structure of any offering and all materials of any kind (including opinions or other tax analyses) that are provided to the prospective investor relating to such U.S. tax treatment and U.S. tax structure, other than any information for which nondisclosure is reasonably necessary in order to comply with applicable securities laws.

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 Prospectus may be distributed on a confidential basis in the United States to a limited number of QIBs (as defined under "*Form of the Covered Bonds*") for informational use solely in connection with the consideration of the purchase of the Covered Bonds being offered hereby. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally distributed.

Registered Covered Bonds may be offered or sold within the United States only to QIBs in transactions exempt from the registration requirements under the Securities Act. Each U.S. purchaser of Registered Covered Bonds is hereby notified that the offer and sale of any Registered Covered Bonds to it may be made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A.

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

The LLP is not now, and solely after giving effect to any offering and sale of Covered Bonds pursuant to the Trust Deed and the application of the proceeds thereof will not be, a "covered fund" for purposes of regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended (commonly known as the "**Volcker Rule**").

In reaching this conclusion, although other statutory or regulatory exemptions under the Investment Company Act of 1940, as amended (the "**Investment Company Act**") and under the Volcker Rule and its related regulations may be available, the LLP has relied on the determination that it satisfies the requirements of Section 3(c)(5)(C) of the Investment Company Act. Any prospective investor in Covered Bonds, including a U.S. or foreign bank or a subsidiary or other affiliate thereof, should consult its own legal advisors regarding the Volcker Rule and its effects.

## AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Covered Bonds that are "restricted securities" as defined in Rule 144(a)(3) under the Securities Act, each of the Issuer and/or the LLP, as applicable, has undertaken in the Trust Deed to furnish, upon the request of a holder of such Covered Bonds or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities

Act if, at the time of the request, the Issuer and/or the LLP, as applicable, is neither subject to reporting under section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder. The Issuer is currently a reporting company under the Exchange Act.

### **SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES**

The Issuer is a company incorporated, and the LLP is a limited liability partnership registered, in England and Wales. With the exception of one director, all of the directors of the Issuer reside outside the United States and all the directors of the LLP reside outside the United States. All or a substantial portion of the assets of the Issuer and the LLP are located outside the United States. As a result, it may not be possible for investors to effect service of process outside England upon the Issuer or the LLP, as applicable, or their directors, or to enforce judgments against them obtained in the United States predicated upon civil liabilities of the Issuer or the LLP, as applicable, or the directors of the Issuer under laws other than those of England and Wales, including any judgment predicated upon United States federal securities laws. The Issuer and the LLP have been advised previously that there is doubt as to the enforceability in England and Wales in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

### **FORWARD-LOOKING STATEMENTS**

This Prospectus and the documents incorporated by reference herein include forward-looking statements. Examples of such forward-looking statements include, but are not limited to: (i) projections or expectations of revenues, costs, profit (or loss), earnings (or loss) per share, dividends, capital structure or other financial items or ratios; (ii) statements of plans, objectives or goals of the Issuer or its management, including those related to products or services; (iii) statements of future economic performance, including in particular any such statements included in the Issuer's most recently published Annual Report; and (iv) statements of assumptions underlying such statements. Words such as "believes", "anticipates", "expects", "intends", "aims", "plans", "targets" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements are not statements of historical or current facts; they cannot be objectively verified, are speculative and involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. The Issuer cautions that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. Some of these factors, which could affect the Santander UK Group's business, financial condition and/or results of operations, include:

- the effects of disruptions in the global economy and global financial markets;
- the effects of U.K. economic conditions;
- the effects of U.K.'s withdrawal from the European Union;
- the effects of competition with other financial institutions, including new entrants into the financial services sector;
- the risk that the Santander UK Group's new or existing products and services may not become (or may not continue to be) successful;
- the risk that the Santander UK Group may be unable to continue offering products and services from third parties;
- the extent to which the Santander UK Group's loan portfolio is subject to prepayment risk;
- the risk that the Santander UK Group may be unable to manage the growth of its operations;
- the effects of any changes to the reputation of the Santander UK Group or its affiliates;
- the extent to which regulatory capital, liquidity and leverage requirements, and any changes to these requirements may limit the Santander UK Group's operations;



- the Santander UK Group's ability to access liquidity and funding on acceptable financial terms;
- the effects of an adverse movement in external credit ratings assigned to the Santander UK Group, any Santander UK Group member or any of their respective debt securities;
- the effects of any changes in the pension liabilities and obligations of the Santander UK Group;
- the effects of fluctuations in interest rates and other market risks;
- risks arising from the integrity and continued existence of reference rates;
- the extent to which the Santander UK Group may be required to record negative fair value adjustments for its financial assets due to changes in market conditions;
- the Santander UK Group's ability to control the level of non-performing or poor credit quality loans and whether the Santander UK Group's loan loss reserves are sufficient to cover loan losses;
- the risk that the value of the collateral, including real estate, securing the Santander UK Group's loans may not be sufficient and that the Santander UK Group may be unable to realise the full value of the collateral securing its loan portfolio;
- the effects of the financial services laws, regulations, government oversight, administrative actions and policies and any changes thereto in each location or market in which the Santander UK Group operates;
- the risk that the Santander UK Group may become subject to the provisions of the Banking Act 2009, including the bail-in and write down powers thereunder;
- the effects of any failure to comply with anti-money laundering, anti-terrorism, anti-bribery and corruption, anti-tax evasion or sanctions laws or regulations, or the risk of any failure to prevent or detect any illegal or improper activities fully or timeously;
- the effects of taxation (and any changes to tax), in each location in which the Santander UK Group operates;
- the Santander UK Group's exposure to any risk of loss from civil litigation and/or criminal legal or regulatory proceedings;
- the risk of failing to successfully apply or to improve the Santander UK Group's credit risk management systems;
- the risk that the Santander UK Group's data management policies and processes may not be sufficiently robust;
- the effect of cyber-crime on the Santander UK Group's business;
- the risks arising from any non-compliance with the Santander UK Group's policies, from any employee misconduct or human error, or from any negligence or fraud;
- the risk of failing to effectively manage changes in the Santander UK Group's information technology infrastructure and management information systems in a timely manner;
- the risk that the Santander UK Group, along with the government, may not have the ability to manage and mitigate the impacts of climate change effectively;
- the Santander UK Group's exposure to unidentified or unanticipated risks despite its risk management policies, procedures and methods;
- the risks arising from the Santander UK Group's reliance on third parties and affiliates for important infrastructure support, products and services;

- the ability of the Santander UK Group to recruit, retain and develop appropriate senior management and skilled personnel;
- the effects of any inaccuracy within the judgements and accounting estimates which underpin aspects of the financial statements, and the consequent risk of any material misstatement of the Santander UK Group's financial results; and
- the effect of any change in accounting standards.

The Issuer cautions that the foregoing list of important factors is not exhaustive.

Undue reliance should not be placed on forward-looking statements when making decisions with respect to the Santander UK Group and/or its securities. Investors and others should take into account the inherent risks and uncertainties of forward-looking statements and should carefully consider the foregoing non-exhaustive list of important factors. Forward-looking statements speak only as of the date on which they are made and are based on the knowledge, information available and views taken on the date on which they are made; such knowledge, information and views may change at any time.

The Issuer does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

**Please consider carefully the risk factors set out in the sections herein entitled Risk Factors.**

## PRESENTATION OF FINANCIAL INFORMATION

The consolidated annual financial statements of the Issuer for the years ended 31 December 2020 and 31 December 2019, and the consolidated annual financial statements of the LLP for the years ended 31 December 2019 and 31 December 2018, were prepared in accordance with IFRS (as defined below).

In this Prospectus, all references to "**billion**" and "**bn**" are references to one thousand millions and all references to "**million**" and "**m**" are to one thousand thousands. Due to rounding, the numbers presented throughout this Prospectus may not add up precisely, and percentages may not precisely reflect absolute figures.

All references in this document to "**U.S. dollars**", "**U.S.\$**" and "**\$**" are to the lawful currency of the United States of America, to "**Sterling**", to "**Swiss Francs**" or "**CHF**" are to the lawful currency of Switzerland and "**£**" are to the lawful currency of the United Kingdom and to "**euro**" and "**€**" are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the EU, as amended.

The Issuer maintains its financial books and records and prepares its financial statements in Sterling in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"), including interpretations issued by the IFRS Interpretations Committee ("**IFRIC**") of the IASB that, under European regulations, are effective and available for early adoption at the Issuer's reporting date. The Issuer has complied with IFRS as adopted by the U.K. and as applied in accordance with the provisions of the Companies Act 2006.

## CONTENTS

|   | <b>Page</b> |
|---|-------------|
| Principal Characteristics of the Programme .....                            | 1           |
| Documents Incorporated by Reference .....                                   | 2           |
| Structure Overview.....   | 4           |
| Overview of the Programme .....   | 9           |
| Risk Factors .....  | 20          |
| Form of the Covered Bonds .....   | 88          |
| Form of Final Terms Document .....  | 92          |
| Terms and Conditions of the Covered Bonds.....                              | 105         |
| Use of Proceeds .....   | 164         |
| Santander UK plc and the Santander UK Group.....                            | 165         |
| Abbey Covered Bonds LLP.....  | 168         |
| Regulation of the Santander UK Group .....                                  | 170         |
| Summary of the Principal Documents.....                                     | 174         |
| Credit Structure .....  | 210         |
| Cashflows .....   | 214         |
| Further Information relating to the Regulation of Mortgages in the U.K..... | 226         |
| The Portfolio .....   | 243         |
| Description of the U.K. Regulated Covered Bond Regime .....                 | 244         |
| Description of Limited Liability Partnerships .....                         | 246         |
| Book-Entry Clearance Systems .....  | 247         |
| Taxation.....   | 251         |
| Subscription and Sale and Transfer and Selling Restrictions .....           | 261         |
| General Information .....   | 270         |
| Glossary.....   | 273         |
| Index of Defined Terms.....   | 322         |

## PRINCIPAL CHARACTERISTICS OF THE PROGRAMME

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

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

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

|  |   |
|--|---|
| <b>Issuer:</b>   | Santander UK plc  |
| <b>Guarantor:</b>  | Abbey Covered Bonds LLP   |
| <b>Regulated Covered Bonds:</b>  | On 1 June 2016, the Issuer was admitted to the register of issuers and the Programme, and the Covered Bonds issued previously under the Programme, were admitted to, and all Covered Bonds issued since that date under the Programme have been admitted to, the register of regulated covered bonds pursuant to Regulation 14 of the RCB Regulations |
| <b>Nature of eligible property:</b>  | Residential mortgage loans (and Related Security), Substitution Assets and Authorised Investments up to the prescribed limit  |
| <b>Location of eligible residential property underlying Mortgage Loans:</b>                        | England, Wales, Scotland or Northern Ireland (see page 181)   |
| <b>Maximum True Balance to Indexed Valuation ratio given credit under the Asset Coverage Test:</b> | 75.0 per cent. (see page 193)   |
| <b>Maximum Asset Percentage:</b>   | 91.0 per cent.  |
| <b>Asset Coverage Test:</b>  | As set out on page 192  |
| <b>Statutory minimum overcollateralisation:</b>  | The eligible property (as defined in the RCB Regulations) in the asset pool must be more than 108 per cent. of the Principal Amount Outstanding of the Covered Bonds  |
| <b>Statutory interest cover test:</b>  | The interest received on the eligible property must be equal to or greater than interest due on the Covered Bonds   |
| <b>Amortisation Test:</b>  | As set out on page 196  |
| <b>Extended Maturities:</b>  | Available   |
| <b>Hard Bullet Maturities:</b>   | Available   |
| <b>Asset Pool Monitor:</b>   | Deloitte LLP  |
| <b>Asset Segregation:</b>  | Yes   |
| <b>Namenschuldverschreibungen option:</b>  | Yes   |
| <b>Single/multi asset pool designation:</b>  | Single asset pool, consisting of residential mortgage loans and liquid assets   |

**Substitution Assets:**

Asset backed securities are not eligible property and cannot form part of the Asset Pool

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published and have been approved by the FCA or filed with the FCA, shall be deemed to be incorporated in, and to form part of, this Prospectus and approved by the FCA for the purpose of the UK Prospectus Regulation:

1. the unaudited interim financial information of the Issuer appearing in Appendix 2 on page 9 of the Quarterly Management Statement of Santander UK Group Holdings plc, the immediate parent company of the Issuer, as at and for the three months ended 31 March 2021;
2. the Issuer's Annual Report for the year ended 31 December 2020 (which includes the audited consolidated annual financial statements of the Issuer), excluding the sentence "Please refer to our latest filings with the SEC (including, without limitation, our Annual Report on Form 20-F for the year ended 31 December 2020) for a discussion of certain risk factors and forward-looking statements" on page 254;
3. the Issuer's Annual Report for the year ended 31 December 2019 (which includes the audited consolidated annual financial statements of the Issuer), excluding the sentence "Please refer to our latest filings with the SEC (including, without limitation, our Annual Report on Form 20-F for the year ended 31 December 2019) for a discussion of certain risk factors and forward-looking statements" on page 237;
4. the Members' Report and audited financial statements and auditors report of the LLP for the financial year ended 31 December 2019, which appear on pages 1 to 23 of the LLP's Annual Report and Accounts for the year ended 31 December 2019;
5. the Members' Report and audited financial statements and auditors report of the LLP for the financial year ended 31 December 2018, which appear on pages 1 to 23 of the LLP's Annual Report and Accounts for the year ended 31 December 2018;
6. the terms and conditions of the Covered Bonds set out on pages 56 to 89 of the Prospectus dated 1 July 2005 in connection with the Programme;
7. the terms and conditions of the Covered Bonds set out on pages 102 to 147 of the Prospectus dated 9 September 2010, as modified pursuant to the supplemental prospectus dated 9 December 2010, which had the effect of replacing such terms and conditions with the terms and conditions appearing in Schedule 1 to such supplemental prospectus, in connection with the Programme;
8. the terms and conditions of the Covered Bonds set out on pages 114 to 160 of the Prospectus dated 9 September 2011 in connection with the Programme;
9. the terms and conditions of the Covered Bonds set out on pages 100 to 142 of the Prospectus dated 12 July 2013 in connection with the Programme;
10. the terms and conditions of the Covered Bonds set out on pages 103 to 144 of the Prospectus dated 25 June 2014 in connection with the Programme;
11. the terms and conditions of the Covered Bonds set out on pages 108 to 149 of the Prospectus dated 23 June 2015 in connection with the Programme;
12. the terms and conditions of the Covered Bonds set out on pages 111 to 150 of the Prospectus dated 1 June 2016 in connection with the Programme;
13. the terms and conditions of the Covered Bonds set out on pages 127 to 167 of the Prospectus dated 2 June 2017 in connection with the Programme;
14. the terms and conditions of the Covered Bonds set out on pages 122 to 162 of the Prospectus dated 24 April 2018 in connection with the Programme;
15. the terms and conditions of the Covered Bonds set out on pages 125 to 173 of the Prospectus dated 18 April 2019 in connection with the Programme; and

16. the terms and conditions of the Covered Bonds set out on pages 100 to 154 of the Prospectus dated 15 June 2020 in connection with the Programme.

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

Any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a subsequent statement which is deemed to be incorporated by reference herein or contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise) (**provided, however, that** such statement shall only form part of the Prospectus to the extent that it is contained in a document all or the relevant portion of which is incorporated by reference by way of a supplement proposed in accordance with Article 23 of the UK Prospectus Regulation). Any statement so modified or superseded shall not, except as so modified or superseded, constitute part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus will be available for viewing on the website of the Issuer at <https://www.santander.co.uk/about-santander/investor-relations/santander-uk-covered-bonds> or may be provided by the relevant Paying Agent by email following prior written request to the relevant Paying Agent.

Please note that websites and URLs referred to herein do not form part of this Prospectus.

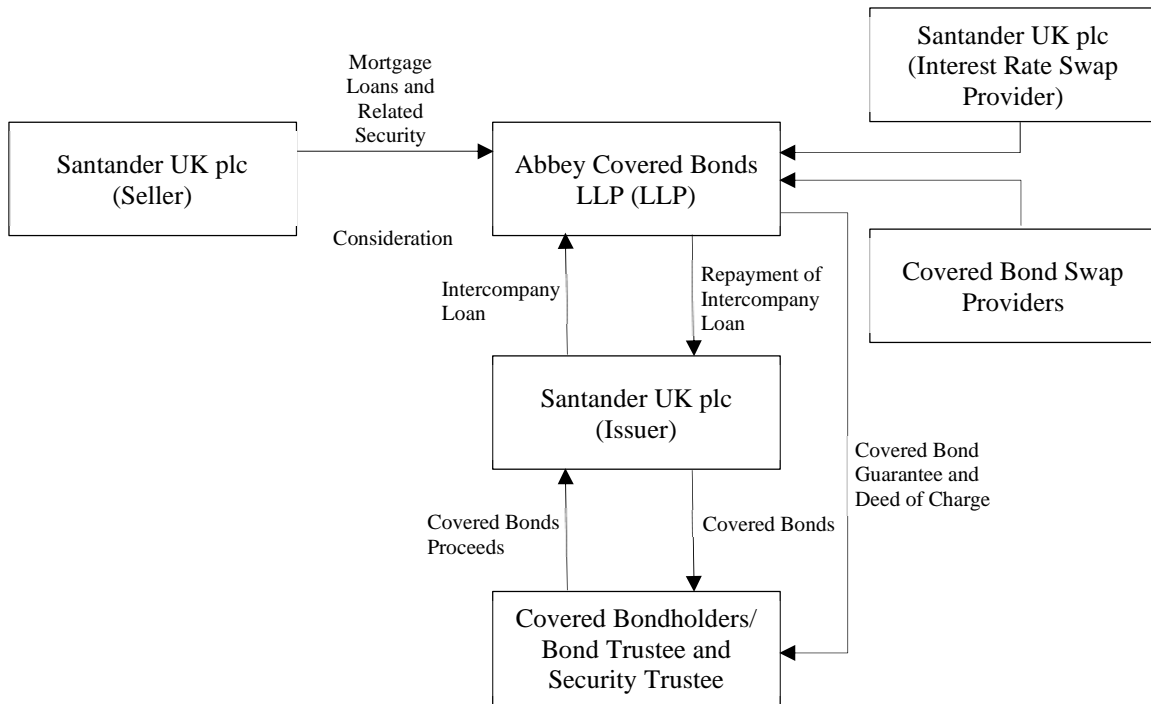
For the purposes of the UK Prospectus Regulation, to the extent that any document incorporated by reference in this Prospectus incorporates further information by reference, such further information does not form part of this Prospectus.

The Issuer and the LLP will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of any Covered Bonds, prepare a supplement to this Prospectus for use in connection with any subsequent issue of Covered Bonds. The Issuer and the LLP have each undertaken to the Dealers in the Programme Agreement (as defined in "*Subscription and Sale and Transfer and Selling Restrictions*") that they will comply with section 87G of the FSMA.



## STRUCTURE OVERVIEW

### Structure Diagram



### Structure Overview

- Programme:** Under the terms of the Programme, the Issuer will issue Covered Bonds to Covered Bondholders on each Issue Date. The Covered Bonds will be direct, unsecured and unconditional obligations of the Issuer.
- Intercompany Loan Agreement:** Under the terms of the Intercompany Loan Agreement, the Issuer will make Term Advances to the LLP in an amount equal to either (i) the gross proceeds of each Series or, as applicable, Tranche of Covered Bonds or (ii) the Sterling Equivalent of the gross proceeds 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 in respect of payments of interest and principal under the Covered Bonds. The LLP has agreed to pay an amount equal to the Guaranteed Amounts when the same shall become Due for Payment but which would otherwise be unpaid by the Issuer. The obligations of the LLP under the Covered Bond Guarantee constitute direct and (following service of a Notice to Pay or 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 LLP following the occurrence of an LLP Event of Default.

If an LLP Acceleration Notice is served, the Covered Bonds will (if an Issuer Acceleration Notice has not already been served) 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, upon exchange into Sterling under the applicable Covered Bond Swap):
  - (a) to purchase Loans and their Related Security from the Seller in accordance with the terms of the Mortgage Sale Agreement;
  - (b) to invest in Substitution Assets in an amount not exceeding the prescribed limit;
  - (c) (subject to complying with the Asset Coverage Test) to make a Capital Distribution to a Member;
  - (d) if an existing Series, or part of an existing Series, 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 refinanced; and/or
  - (e) to make a deposit in the GIC Account.

In relation to paragraphs (c), (d) and (e) above, the LLP must first use the proceeds of any Term Advance (if not denominated in Sterling, upon exchange into Sterling under the applicable Covered Bond Swap) (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) to the extent required to meet the Asset Coverage Test. However the proceeds may be applied in accordance with paragraph (e) above at any time pending application in accordance with paragraphs (a) to (d) above.

- *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 Assignment Date will be a combination of:
  - (a) a cash payment made by the LLP to the Seller;
  - (b) the Seller being treated as having made a Capital Contribution to the LLP (in an amount up to the difference between the aggregate Outstanding Principal Balance of the Loans sold by the Seller as at the relevant Assignment Date and the cash payment (if any) made by the LLP); and/or
  - (c) Deferred Consideration (including any Postponed 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, the Substitution Assets, the Transaction Documents to which it is a party, the LLP Accounts and any Authorised Investments it holds) 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 on the LLP of an Asset Coverage Test Breach Notice, 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:
  - apply Available Revenue Receipts to pay interest due on the Term Advances to the Issuer and to pay Deferred Consideration (including any Postponed 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 certain expenses and amounts due to the Interest Rate Swap Provider and the Pre-Maturity Liquidity Ledger). For further details of the Pre-Acceleration Revenue Priority of Payments, see "*Cashflows*"; and

- apply Available Principal Receipts towards making Capital Distributions to the Members but only after, *inter alia*, acquiring New Loans and their Related Security offered by the Seller to the LLP and repaying principal due in relation to any Term Advance to the Issuer. For further details of the Pre-Acceleration Principal Priority of Payments, see "*Cashflows*".

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

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

Following 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 against the LLP), the LLP will use all monies (other than Third Party Amounts and Swap Collateral Excluded 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 Seller (as a Member of the LLP) 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 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 payable (if not already due and payable following service of an Issuer Acceleration Notice) 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 under Condition 7 (*Taxation*), and the security created by the LLP over the Charged Property will become enforceable. Any monies received or recovered (other than Swap Collateral Excluded Amounts) by the Security Trustee from realisation of the Charged Property following enforcement of the Security created by the LLP in accordance with the Deed of Charge 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*").

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

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

- (a) the application of Available Revenue Receipts and Available Principal Receipts will be restricted;
- (b) the LLP will be required to sell Selected Loans; and
- (c) the Issuer will not be permitted to make to the LLP and the LLP will not be permitted to borrow from the Issuer any new Term Advances under the Intercompany Loan Agreement.

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

- *Amortisation Test:* Following the service of a Notice to Pay (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 and the Members (other than the Liquidation Member) must ensure that on each following Calculation Date, the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds from time to time. The Amortisation Test will be carried out by the Cash Manager on each Calculation Date following service of a Notice to Pay. A breach of the Amortisation Test will constitute an LLP Event of Default. Following the occurrence of an LLP Event of Default, the Bond Trustee may, by service of an LLP Acceleration Notice, accelerate the obligations of the Issuer under the Covered Bonds and require all amounts under the Covered Bond Guarantee to become immediately due and payable. Thereafter, the Security Trustee may enforce the Security over the Charged Property.
- *Extendable obligations under the Covered Bond Guarantee:* An Extended Due for Payment Date may be specified as applying in relation to a Series of Covered Bonds in the applicable Final Terms Document. 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 (in each case subject to the applicable grace period), a Notice to Pay is served and 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 service of a Notice to Pay, the LLP has insufficient monies available in accordance with the Guarantee Priority of Payments to pay in full the Guaranteed Amounts equal to the Final Redemption Amount of the relevant Series of Covered Bonds), then payment of the unpaid portion of the Final Redemption 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). The unpaid portion of the Final Redemption Amount shall be due and payable one year later on the Extended Due for Payment Date (subject to the applicable grace period and **provided that** the LLP shall, to the extent it has the funds available to it, pay such unpaid portion of the Final Redemption Amount on any Original Due for Payment Date up until the Extended Due for Payment Date). The LLP will pay the Guaranteed Amounts constituting Scheduled Interest on each Original Due for Payment Date and on the Extended Due for Payment Date.
- *Servicing:* In its capacity as Servicer, Santander UK has entered into the Servicing Agreement with the LLP and the Security Trustee, pursuant to which it has agreed to provide administrative services in respect of the Loans and their Related Security sold by the Seller to the LLP.
- *Risk Factors:* The Issuer's business activities depend on the level of banking, finance and financial services that its respective customers require. Customer demand can fluctuate based on prevailing economic, interest rate and other conditions. In significant part, the Issuer funds its business activities through access to the institutional debt, securitisation and covered bond markets in the U.S., Europe and Asia. The Issuer's continued ability to fund its business in this manner depends on a number of factors, including many outside of its control, such as general market conditions. The LLP relies on a third-party servicer to provide calculation and other servicing functions in relation to the loans. Failure of the servicer to perform these functions could affect payment on the

Covered Bonds. Further, the LLP relies on swap providers to hedge against possible variances in the rates of interest payable on the Loans in the Portfolio and to hedge against interest rate and currency risks in respect of amounts received by the LLP on the Loans in the Portfolio and amounts payable by the LLP under the Covered Bond Guarantee. The performance of the swap providers and the LLP under their mutual swap agreements can affect both the rating of and the payment on the Covered Bonds.

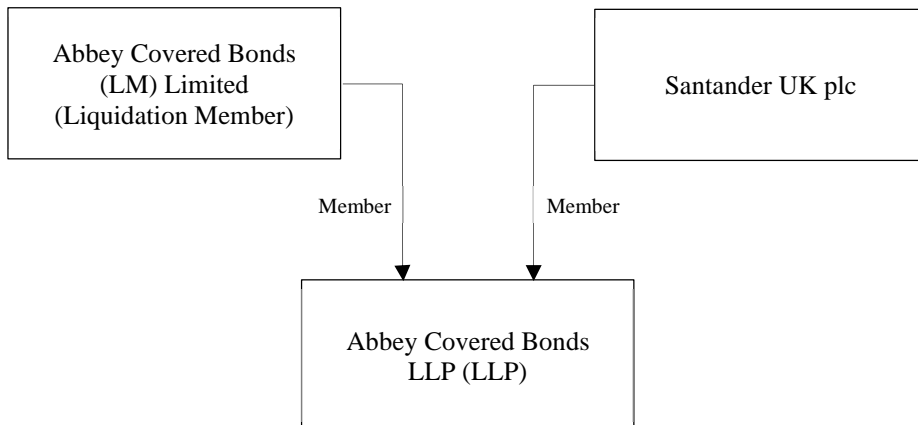
- *Further Information:* For a more detailed description of the transactions summarised above relating to the Covered Bonds see, amongst other relevant sections of this Prospectus, "Risk Factors", "Overview of the Programme", "Terms and Conditions of the Covered Bonds", "Summary of the Principal Documents",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

**Ownership Structure of Abbey Covered Bonds LLP**

- As at the date of this Prospectus, the Members of the LLP are Santander UK and the Liquidation Member.
- Any New Seller that wishes to sell New Seller Loans and their Related Security to the LLP (as described under "Summary of the Principal Documents – Mortgage Sale Agreement") will, amongst other things, be required to become a Member of the LLP and will accede to, *inter alia*, the LLP Deed.
- Other than in respect of those decisions reserved to the Members, the LLP Management Board (comprised of, as at the date of this Prospectus, directors and/or employees of Santander UK) 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.
- In the event of a liquidation or administration of Santander UK or a disposal of Santander UK's interest in the Liquidation Member such that Santander UK holds less than 20 per cent. of the share capital of the Liquidation Member (without the consent of the LLP and the Security Trustee), Santander UK will automatically cease to be a Member of the LLP, the balance of any Capital Contributions of Santander UK outstanding as at the date it ceases to be a Member in the LLP will be converted into a subordinated debt obligation owed by the LLP to Santander UK under the LLP Deed and the Liquidation Member will appoint a new Member of the LLP (which is a wholly-owned subsidiary of the Liquidation Member) pursuant to the terms of the LLP Deed. See further "Summary of the Principal Documents – LLP Deed".

**Ownership Structure of the Liquidation Member**

- As at the date of this Prospectus, the issued share capital of the Liquidation Member is held 20 per cent. by Santander UK and 80 per cent. by Holdings.
- The issued capital of Holdings is held 100 per cent. by Wilmington Trust SP Services (London) 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 Document. 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.

Issuer: Santander UK plc, a public limited company incorporated in England and Wales (registered no. 2294747).

Issuer Legal Entity Identifier (LEI): PTCQB104N23FMNK2RZ28

For a more detailed description of the Issuer, see "*Santander UK plc and the Santander UK Group*".

LLP: Abbey Covered Bonds LLP is a limited liability partnership incorporated in England and Wales (registered no. OC312644). The Members of the LLP as at the date of this Prospectus are Santander UK 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 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 service of a Notice to Pay or 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 "*Abbey Covered Bonds LLP*".

Seller: Santander UK, which is in the business of originating residential mortgage loans and other banking activities.

For a more detailed description of the Seller, see "*Santander UK plc and the Santander UK Group*".

Servicer: Santander UK has been appointed to service, on behalf of the LLP, the Loans and their Related Security in the Portfolio pursuant to the terms of the Servicing Agreement.

Cash Manager: Santander UK has also 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 Cash Management Agreement.

Principal Paying Agent: Deutsche Bank AG, London Branch, acting through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, has been appointed pursuant to the Agency Agreement as issuing and principal paying agent and agent bank.

Exchange Agent, Transfer Agent and Registrar: Deutsche Bank Trust Company Americas, acting through its office at 60 Wall St, 24th Floor, New York, NY 10005, has been

appointed pursuant to the Agency Agreement as exchange agent, transfer agent and registrar.

**Bond Trustee:** Deutsche Trustee Company Limited, acting through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, has been appointed to act as bond trustee on behalf of the Covered Bondholders in respect of the Covered Bonds and holds the benefit of, *inter alia*, the Covered Bond Guarantee on behalf of the Covered Bondholders pursuant to the Trust Deed.

**Security Trustee:** Deutsche Trustee Company Limited, acting through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, has been appointed to act as security trustee to hold the benefit of the security granted by the LLP to the Security Trustee (for itself, the Covered Bondholders and the other Secured Creditors) under 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, the Amortisation Test and provide the services as an asset monitor when required. The initial Asset Monitor will be Deloitte LLP. 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 U.K. Regulated Covered Bond Regime*").

**Covered Bond Swap Provider:** 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 in the Portfolio and any relevant Interest Rate Swaps and:

- (a) in the case of a Non-Forward Starting Covered Bond Swap, amounts payable by the LLP under the Intercompany Loan Agreement or, if a Notice to Pay or an LLP Acceleration Notice has been served, under the Covered Bond Guarantee; or
- (b) in the case of a Forward Starting Covered Bond Swap, if a Notice to Pay or an LLP Acceleration Notice has been served, amounts payable by the LLP under the Covered Bond Guarantee,

in respect of the Covered Bonds by entering into Covered Bond Swaps with the LLP and the Security Trustee under the Covered Bond Swap Agreements. In the event that the ratings of a Covered Bond Swap Provider (and the ratings of any eligible guarantor) fall below a specified ratings level, the relevant Covered Bond Swap Provider will be required to obtain a guarantee of its obligations from an appropriately rated guarantor or put in place other appropriate credit support arrangements such as providing collateral for its obligations. Santander UK may act as Covered Bond Swap Provider in relation to the Covered Bond Swap Agreements entered into from and including 10 January 2018.

**Interest Rate Swap Provider:** Santander UK has agreed to act as interest rate swap provider to the LLP under the Interest Rate Swap Agreement with the LLP and the Security Trustee. The Interest Rate Swap Provider currently provides a hedge against possible variances between, *inter alia*, the rates of interest payable on the Loans sold by the Seller to the LLP and the rate of interest owed by the LLP under

the Covered Bond Swaps and each Intercompany Loan Agreement.

The Interest Rate Swap Provider will be required to obtain a guarantee of its obligations from an appropriately rated guarantor or put in place other appropriate credit support arrangements in the event that its ratings (and the ratings of any eligible guarantor) fall below a specified ratings level.

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| GIC Provider:                | Santander UK, acting through its office at 21 Prescott Street, London E1 8AD, has agreed to act as GIC Provider to the LLP pursuant to the Guaranteed Investment Contract.  |
| Account Bank:                | Santander UK, acting through its office at 21 Prescott Street, London E1 8AD, has agreed to act as an Account Bank to the LLP pursuant to the Bank Account Agreement.   |
| Liquidation Member:          | Abbey Covered Bonds (LM) Limited (the " <b>Liquidation Member</b> "), a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 5365645). As at the date of this Prospectus the Liquidation Member is 80 per cent. owned by Holdings and 20 per cent. owned by Santander UK.   |
| Holdings:                    | Abbey Covered Bonds (Holdings) Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 5407937). All of the shares of Holdings are held by the Share Trustee on trust for charitable purposes.  |
| Share Trustee:               | Wilmington Trust SP Services (London) Limited, acting through its office at Third Floor, 1 King's Arms Yard, London EC2R 7AF, holds all of the shares of Holdings on trust for charitable purposes.   |
| Corporate Services Provider: | Wilmington Trust SP Services (London) Limited, acting through its office at Third Floor, 1 King's Arms Yard, London EC2R 7AF, 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:                    | Santander UK plc.   |
| Dealers:                     | Banco Santander S.A, Barclays Bank PLC, BNP Paribas, Commerzbank Aktiengesellschaft, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, HSBC Bank plc, Natixis, NatWest Markets Plc, RBC Europe Limited, Société Générale, The Toronto-Dominion Bank, UBS AG London Branch and UniCredit Bank AG, and any other Dealer appointed from time to time in accordance with the terms of 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. There are restrictions on the offer, sale and transfer of Covered Bonds in the United States, the United Kingdom, the European Economic Area (including, for these purposes, The Netherlands, the Republic of Italy, Germany, the Republic of France and Spain) and Japan. Other restrictions may apply in connection with the offering and |



sale of a particular Tranche of Covered Bonds. See "*Subscription and Sale and Transfer and Selling Restrictions*".

|                     |   |
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| Programme size:     | Up to €35 billion (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time as described herein. The Issuer and the LLP may increase the amount of the Programme in accordance with the terms of the Programme Agreement.  |
| Distribution:       | Covered Bonds may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis, subject to the restrictions set forth in " <i>Subscription and Sale and Transfer and Selling Restrictions</i> ".   |
| Specified Currency: | 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 Document).  |
| Redenomination:     | The applicable Final Terms Document may provide that certain Covered Bonds may be redenominated in euro.  |
| Maturities:         | The Covered Bonds will have such maturities as may be agreed between the Issuer and the relevant Dealer(s) and indicated in the applicable Final Terms Document, subject to such minimum or maximum maturities as may be allowed or required from time to time by any relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.  |
| Issue Price:        | Covered Bonds may be issued at par or at a premium or discount to par on a fully-paid basis.  |
| N Covered Bonds:    | <p>The Issuer is able to issue <i>Namenschuldverschreibungen</i> ("<b>N Covered Bonds</b>") pursuant to the Programme, for which no prospectus is required to be published under the UK Prospectus Regulation or Regulation (EU) 2017/1129 (the "<b>EU Prospectus Regulation</b>"). N Covered Bonds will not be issued pursuant to, and do not form a part of, this Prospectus and will not be issued pursuant to any Final Terms Document under this Prospectus. The FCA has neither approved nor reviewed information contained in this Prospectus in connection with any N Covered Bonds. Also, N Covered Bonds issued pursuant to the Programme will not be deposited in the Clearing Systems or listed on the London Stock Exchange.</p> <p>N Covered Bonds are registered debt securities under German law. Each N Covered Bond will constitute a separate Series of Covered Bonds. Each holder of N Covered Bonds will agree to be bound by the terms of the Trust Deed, including the bondholder meeting provisions set out therein. New contractual documentation for each N Covered Bond will be entered into at the time of any N Covered Bond issuance. N Covered Bonds will be issued in substantially the Form of the N Covered Bond set out in the Trust Deed with the N Covered Bond Conditions attached thereto as Schedule 1 and the Form of the Assignment and Accession Agreement to the N Covered Bond Agreement attached as Schedule 2, together with the execution of the related N Covered Bond Agreement. The N Covered Bond (with the N Covered Bond Conditions attached thereto), and the related N Covered Bond Agreement will constitute the Final Terms</p> |

Document in respect of each Series of N Covered Bonds. Such documents constituting the Final Terms Document in respect of a Series of N Covered Bonds will not be issued pursuant to this Prospectus and the FCA will neither approve nor review such documents.

N Covered Bonds will, subject to the terms of the Priorities of Payments, rank *pari passu* with each other and share in the same security.

With the exception of Condition 2.2 (*Covered Bond Guarantee*) and Condition 2.3 (*Regulated Covered Bonds Regulations 2008*) of the terms and conditions of the N Covered Bonds (which will be governed by, and construed in accordance with, English law), the N Covered Bonds and all rights and obligations arising under the N Covered Bonds (including any non-contractual rights and obligations) will be governed by, and construed in accordance with, German law.

Form of Covered Bonds: The Covered Bonds will be issued in bearer or registered form as described in "*Form of the Covered Bonds*". Registered Covered Bonds will not be exchangeable for Bearer Covered Bonds and *vice versa*.

Interest on Covered Bonds in bearer form will only be payable outside the United States and its possessions.

Fixed Rate Covered Bonds: Fixed Rate Covered Bonds will bear interest at a fixed rate, which will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms Document).

Floating Rate Covered Bonds: Floating Rate Covered Bonds will bear interest at a rate determined:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions;
- (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,

as set out in the applicable Final Terms Document.

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 Document.

Other provisions in relation to Floating Rate Covered Bonds: Floating Rate Covered Bonds may also have a Maximum Rate of Interest, a Minimum Rate of Interest or both (as indicated in the applicable Final Terms Document). 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, in each case as set out in the applicable Final Terms Document.

Zero Coupon Covered Bonds: Zero Coupon Covered Bonds, bearing no interest, may be offered and sold at a discount to their nominal amount unless otherwise specified in the applicable Final Terms Document.

Hard Bullet Covered Bonds: Hard Bullet Covered Bonds may be offered under the Programme 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 to a certain level.

Redemption: The applicable Final Terms Document relating to each Tranche of Covered Bonds will indicate either that such Covered Bonds cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, for taxation reasons, if it becomes unlawful for any Term Advance to remain outstanding or following an Issuer Event of Default or an LLP Event of Default) or that such Covered Bonds will be redeemable at the option of the Issuer and/or the Covered Bondholders upon giving not more than 60 nor less than 30 days' irrevocable notice (or such other period of notice (if any) as is indicated in the applicable Final Terms Document) to the Bond Trustee, the Principal Paying Agent, the Registrar (in the case of the redemption of the Registered Covered Bonds) and the Covered Bondholders or to the Issuer (as the case may be), on one or more specified dates prior to their 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 Document).

The applicable Final Terms Document may provide that Covered Bonds may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms Document.

Money Market Covered Bonds: From time to time, the Issuer may issue Covered Bonds designated as Money Market Covered Bonds in the relevant Final Terms Document. "**Money Market Covered Bonds**" are Covered Bonds which will be "**Eligible Securities**" within the meaning of Rule 2a-7 under the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**").

Money Market Covered Bonds will generally be Hard Bullet Covered Bonds, the final maturity date of which will be fewer than 397 days from the closing date on which such Covered Bonds are issued.

Such Money Market Covered Bonds may have the benefit of remarketing arrangements under which a remarketing bank and a conditional purchaser (the "**Remarketing Bank**" and the "**Conditional Purchaser**" respectively) enter into agreements under which the Remarketing Bank agrees to seek purchasers of the relevant Covered Bonds on specified dates throughout the term of such Covered Bonds (each such date a "**Transfer Date**") and the Conditional Purchaser agrees to purchase any such Covered Bonds on the related Transfer Date if purchasers for such Covered Bonds have not been found, **provided that** certain events have not then occurred.

The Transfer Dates for any affected Covered Bonds will be specified in the relevant Final Terms Document but are likely to be on every anniversary of issue of the relevant Covered Bonds.

The circumstances in which a Conditional Purchaser is not obliged to purchase any affected Covered Bonds on a Transfer Date in circumstances where purchasers for such Covered Bonds have not been found will likewise be specified in the relevant Final Terms Document relating to the particular Covered Bonds and may include the occurrence of an Issuer Event of Default and may also include the occurrence of certain triggers related to the ratings of the Covered Bonds (such events being "**Conditional Purchaser Obligation Termination Events**").

If, prior to any Transfer Date, purchasers for any relevant Money Market Covered Bonds have not been found, unless a Conditional Purchaser Obligation Termination Event has occurred, the Remarketing Bank will serve a notice on the Conditional Purchaser to purchase the Covered Bonds which remain unremarketed on the Transfer Date for a price per bond specified in such notice.

The rate of interest under the relevant Covered Bonds will be re-set on each Transfer Date, either at a rate determined by the Remarketing Bank or, if any Covered Bonds are to be acquired by the Conditional Purchaser, at a specified rate subject to a maximum re-set margin as specified in such Final Terms Document.

If the Conditional Purchaser has purchased all of the Covered Bonds as of any Transfer Date, the rate of interest shall cease to be re-set on future Transfer Dates and the Remarketing Bank shall cease to be under any obligation to find purchasers of such Covered Bonds on any Transfer Date following such purchase.

The appointment of the Remarketing Bank may be terminated by the Issuer if the Remarketing Bank becomes insolvent or no longer has the requisite authority or ability to act in accordance with the terms of the relevant documentation documenting the arrangements, or a material breach of warranty or covenant by the Remarketing Bank occurs and is outstanding under the relevant documentation. The conditions under which the Remarketing Bank will be able to terminate its remarketing obligations will be described in the applicable Final Terms Document.

No Remarketing Bank or Conditional Purchaser shall have any recourse to the Issuer in respect of such arrangements.

Certain risks relating to repayment of Money Market Covered Bonds by means of remarketing or conditional purchase are described under "*Risk Factors – Macroeconomic and Market Risks – The Remarketing Bank may not be able to remarket Money Market Covered Bonds and payments from a Conditional Purchaser may not be sufficient to repay Money Market Covered Bonds*". No assurance can be given that any Remarketing Bank or any Conditional Purchaser will comply with and perform their respective obligations under the remarketing documentation. Each Remarketing Bank will be required to make the representations required of Dealers as described in "*Subscription and Sale and Transfer and Selling Restrictions*".

Extendable obligations under the Covered Bond Guarantee:

The applicable Final Terms Document may also provide that the LLP's obligations under the Covered Bond Guarantee to pay the Guaranteed Amounts equal to the Final Redemption Amount of the applicable Series of Covered Bonds on their Final Maturity Date 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 (in each case subject to the applicable grace period), a Notice to Pay has been served and the Guaranteed Amounts equal to the Final Redemption Amount in respect of such Series of Covered Bonds are not paid in full by the Extension Determination Date (for example, because the LLP has insufficient monies to pay in full the Guaranteed Amounts equal 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 by the time specified in Condition 6.1 (*Final redemption*) and has sufficient monies under the Guarantee Priority of Payments to pay in part the Final Redemption Amount, partial payment of the Final Redemption Amount shall be made as described in Condition 6.1 (*Final redemption*). The LLP shall, to the extent it has the funds available to it, make payments in respect of the unpaid portion of the Final Redemption Amount on any Original Due for Payment Date up until the Extended Due for Payment Date. Interest will continue to accrue and be payable on the unpaid portion of the Final Redemption 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 Original Due for Payment Date and the Extended Due for Payment Date.

Denomination of Covered Bonds:

The Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and set out in the applicable Final Terms Document save that the minimum denomination of each Covered Bond will be €100,000 (or, if the Covered Bonds are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher amount as is required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

Unless otherwise stated in the applicable Final Terms Document, the minimum denomination of each Definitive Rule 144A Covered Bond will be U.S.\$200,000, or its approximate equivalent in other Specified Currencies.

Taxation:

All payments in respect of the Covered Bonds will be made without deduction or withholding for or on account of United Kingdom taxes, unless such deduction or withholding is required by law. If any such deduction or withholding is made, the Issuer will, save as provided in Condition 7 (*Taxation*), be required to pay additional amounts in respect of the amounts so deducted or withheld. Under the Covered Bond Guarantee, the LLP will not be liable to pay any such additional amounts payable by the Issuer under Condition 7 (*Taxation*).

Cross Default:

If an LLP Acceleration Notice is served in respect of any one Series of Covered Bonds, then the obligation of the LLP to pay

Guaranteed Amounts in respect of all Series of Covered Bonds then 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 obligations required to be preferred by law) 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 a Notice to Pay or an LLP Acceleration Notice has been served on the LLP. The obligations of the LLP under the Covered Bond Guarantee will accelerate against the LLP upon service of an LLP Acceleration Notice. The obligations of the LLP under the Covered Bond Guarantee constitute direct obligations of the LLP secured against the assets from time to time of the LLP and recourse against the LLP is limited to such assets.

Ratings and Ratings Modification Events: Covered Bonds to be issued under the Programme on or after the date of this Prospectus are expected, unless otherwise specified in the applicable Final Terms Document, to be assigned a rating of "AAA", "AAA" and "Aaa" by S&P, Fitch and Moody's (together, the "**Rating Agencies**" and each, a "**Rating Agency**") respectively. The ratings assigned to a Series of Covered Bonds issued on or after the date of this Prospectus may be specified in the applicable Final Terms Document.

Each of Moody's and Fitch is established in the U.K. and is registered under the UK CRA Regulation. As such each of Moody's and Fitch is included in the list of credit rating agencies published by the FCA on its website in accordance with the UK CRA Regulation. Moody's Deutschland GmbH currently endorses credit ratings issued by Moody's and Fitch Ratings Ireland Limited currently endorses credit ratings issued by Fitch for regulatory purposes in the EEA in accordance with the EU CRA Regulation.

Moody's Deutschland GmbH is established in Germany and Fitch Ratings Ireland Limited is established in Ireland and each has been registered under the EU CRA Regulation and is included in the list of credit rating agencies published by the ESMA on its website in accordance with the EU CRA Regulation. There can be no assurance that Moody's Deutschland GmbH and Fitch Ratings Ireland Limited will continue to endorse credit ratings issued by Moody's and Fitch, respectively.

S&P is established in Ireland, registered under the EU CRA Regulation and included in the list of credit rating agencies published by ESMA on its website in accordance with the EU CRA Regulation. S&P Global Ratings UK Limited currently endorses credit ratings issued by S&P for regulatory purposes in the U.K. in accordance with the UK CRA Regulation. S&P Global Ratings UK Limited is established in the U.K., has been registered under the UK CRA Regulation and is included in the list of credit rating agencies published by the FCA on its website in accordance with the UK CRA Regulation. There can be no assurance that S&P

Global Ratings UK Limited will continue to endorse credit ratings issued by S&P.

At any time after the Issue Date of a Series of Covered Bonds issued on or after 25 June 2014, the Issuer may, without the consent or sanction of any holder of such Covered Bonds or any other Secured Creditor:

- (a) remove any one of the Rating Agencies (a "**Removed Rating Agency**") from rating such Series of Covered Bonds ("**Existing Rating Agency Removal**"); and/or
- (b) reappoint any such Removed Rating Agency or substitute any such Removed Rating Agency for one of the remaining two Rating Agencies ("**Existing Rating Agency Reappointment**"),

(each of an Existing Rating Agency Removal and an Existing Rating Agency Reappointment, a "**Ratings Modification Event**"),

PROVIDED THAT, in each case and at all times, such Series of Covered Bonds continues to be rated by at least two Rating Agencies.

In the event of an Existing Rating Agency Removal, all ratings criteria, rating tests, rating triggers and any and all requirements specified by and/or relating to the removed Rating Agency shall cease to apply (as they relate to such Series of Covered Bonds issued on or after 25 June 2014) and the Issuer may make such consequential modifications to the terms and conditions applying to the relevant Covered Bonds, the related Receipts and/or Coupons or any Transaction Document as are necessary to implement the removal of the relevant Rating Agency and all ratings criteria, rating tests, rating triggers and any and all requirements specified by and/or relating to such removed Rating Agency.

In the event of an Existing Rating Agency Reappointment, all then current relevant ratings criteria, rating tests, rating triggers and any and all relevant requirements specified by and/or relating to the reappointed Rating Agency shall apply and the Issuer may make such consequential modifications to the terms and conditions applying to the relevant Covered Bonds, the related Receipts and/or Coupons or any Transaction Document as are necessary to implement the reappointment of the relevant Rating Agency and all then current relevant ratings criteria, rating tests, rating triggers and any and all relevant requirements specified by and/or relating to such reappointed Rating Agency.

Any modifications to the terms and conditions of any Series of Covered Bonds issued on or after 25 June 2014 and/or any Transaction Document to implement a Ratings Modification Event will not require the consent or sanction of any holder of any such Series of Covered Bonds or any other Secured Creditor (to the extent that, for the avoidance of doubt, such modifications solely relate to the relevant Series of Covered Bonds).

As used in this Prospectus, the term "**Rating Agencies**" means, at any time, the rating agencies then rating the relevant Series of Covered Bonds, being, in respect of the Covered Bonds issued on

or after the date of this Prospectus, two or three of S&P, Fitch and Moody's and in respect of any Series of Covered Bonds issued prior to 25 June 2014, each of S&P, Fitch and Moody's, and the term "**Rating Agency**" means any one of S&P, Fitch and Moody's provided that such rating agency is then rating the relevant Series of Covered Bonds.

For the avoidance of doubt, the above provisions relating to a Ratings Modification Event (together with consequential modifications to the terms and conditions of a Series of Covered Bonds and the Transaction Documents) do not apply in respect of (a) any Series of Covered Bonds issued prior to 25 June 2014 and (b) any Covered Bonds issued on or after 25 June 2014 which will be consolidated with and form a single series with any Series of Covered Bonds issued prior to 25 June 2014.

Listing and admission to trading: Application has been made to the FCA for Covered Bonds issued under the Programme during the period of 12 months from the date of this Prospectus to be admitted to the Official List and to the London Stock Exchange for such Covered Bonds to be admitted to trading on the main market of the London Stock Exchange.

The RCB Regulations: On 1 June 2016, the Issuer was admitted to the register of issuers and the Programme, and the Covered Bonds issued previously under the Programme, were admitted to, and all Covered Bonds issued since that date under the Programme have been admitted to, the register of regulated covered bonds pursuant to Regulation 14 of the RCB Regulations.

Governing law: The terms and conditions of the Covered Bonds (excluding N Covered Bonds) and any non-contractual obligations arising out of or in connection therewith will be governed by, and construed in accordance with, English law.

With the exception of Condition 2.2 (*Covered Bond Guarantee*) and Condition 2.3 (*Regulated Covered Bonds Regulations 2008*) of the terms and conditions of the N Covered Bonds (which will be governed by, and construed in accordance with, English law), the N Covered Bonds and all rights and obligations arising under the N Covered Bonds (including any non-contractual rights and obligations) will be governed by, and construed in accordance with, German law.



## RISK FACTORS

*The Issuer and the LLP believe that the following factors may affect their ability to fulfil their respective obligations under the Covered Bonds issued under the Programme and the Covered Bond Guarantee. In addition, risk factors which are specific to the Covered Bonds are also described below.*

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

*Words and expressions defined in the Terms and Conditions of the Covered Bonds below or elsewhere in this Prospectus have the same meanings in this section.*

### **RISK FACTORS RELATING TO THE ISSUER AND THE SANTANDER UK GROUP, INCLUDING THE ABILITY OF THE ISSUER TO FULFIL ITS OBLIGATIONS UNDER THE COVERED BONDS**

#### **Geopolitical and Macro-economic Risks**

**The Santander UK Group's operations, financial condition and prospects are materially impacted by economic conditions in the U.K. and disruptions in the global economy and global financial markets**

The Santander UK Group's business activities are concentrated in the U.K., where it offers a range of banking and financial products and services to U.K. retail and corporate customers. As a consequence, the Santander UK Group's operations, financial condition and prospects are significantly affected by the general economic conditions in the U.K..

There is a risk of an extended period of economic contraction that continues through 2021 as further lockdowns are imposed restricting economic activity in the U.K. and across the globe depending on the efficacy, take-up and rollout of the vaccines for COVID-19. These risks could amplify the existing downward pressure on the economy; for example: a large surge in business failures with knock-on effects for the labour market resulting in high rates of unemployment that create debt management issues for customers, which could also contribute to negative multiplier effects through delayed investment and spending; and a stronger push towards protectionism as governments look to protect home industries. This could also lead to a longer-term turn in the credit cycle with a broader contraction of credit as lenders attempt to protect themselves from increased losses.

In particular, the Santander UK Group faces, among others, the following risks related to the current economic downturn:

- Reduced demand for the Santander UK Group's products and services.
- Inability of the Santander UK Group's borrowers to comply fully or in a timely manner with their existing obligations.
- The process the Santander UK Group uses to estimate losses inherent in its credit exposure requires complex judgements and assumptions, including forecasts of economic conditions, if such economic conditions develop more adversely than the Santander UK Group's estimates it may impair the ability of the Santander UK Group's borrowers to repay their loans.

- The degree of uncertainty concerning economic conditions may adversely affect the accuracy of the Santander UK Group's estimates, which may, in turn, impact the reliability of the process and the sufficiency of the Santander UK Group's loan loss allowances.
- Disruption of macro-economic factors (such as GDP, unemployment and house prices), both locally and regionally.
- Lower or negative interest rates, reducing the Santander UK Group's interest margins.
- The value and liquidity of the portfolio of investment securities that the Santander UK Group holds may be adversely affected.
- The recovery of the international financial industry may be delayed and impact the Santander UK Group's operations, financial condition and prospects.
- Adverse macroeconomic developments have had and may continue to have a negative impact on the household income of the Santander UK Group's retail customers and the profitability of the Santander UK Group's business customers, which has adversely affected and may continue to adversely affect the recoverability of the Santander UK Group's loans and other extensions of credit and result in increased credit losses. In particular, the outbreak of COVID-19 and various efforts recommended or put in place for individuals and businesses to contain the spread of the disease in the U.K. and in other countries, as well as some of the U.K. government and central bank financial mitigation measures, have had a material adverse effect on the Santander UK Group's operations and income, as described below under the risk factor entitled "*The COVID-19 pandemic*".
- Accommodative monetary policies leading to an extended period of low or lower interest rates, particularly the reduction of interest rates to near zero as a mitigating measure in response to the COVID-19 outbreak, weaker sterling, higher government debt levels, and potentially higher inflation in the longer term, which could have an adverse effect on the Santander UK Group's profitability.

Adverse changes in the credit quality of the Santander UK Group's borrowers and counterparties or a general deterioration in U.K. economic conditions could reduce the recoverability and value of the Santander UK Group's assets and require an increase in its level of provisions for expected credit losses. There can be no assurance that the Santander UK Group will not have to increase its provisions for loan losses in the future as a result of increases in non-performing loans or for other reasons beyond its control. For example, for 2020, the Santander UK Group recognised net provisions of £448 million relating to the COVID-19 pandemic as described further below under the risk factor entitled "*The COVID-19 pandemic*". Material increases in the Santander UK Group's provisions for loan losses and write-offs or charge-offs have had and could continue to have a material adverse effect on its operations, financial condition and prospects. Any significant related reduction in the demand for its products and services could also have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

The Santander UK Group is also exposed to:

- Broader geopolitical issues, which remain heightened with the potential for a further pushback against globalism, once concerns directly related to the COVID-19 pandemic subside. Further moves towards unilateralism may also cause increased tension between nations, which could negatively impact the global economy and financial markets;
- Climate change risks which could have a material impact on the Santander UK Group's client's business models under a transition to a low carbon economy;
- Other environmental risks such as extreme weather, natural disasters, biodiversity loss, human made environmental disasters, health impacted by pollution, water crisis, and other infectious diseases; and
- Social unrest as a result of severe economic disruption caused by the COVID-19 pandemic.

Economic instability and downturns beyond the U.K. may also impact the U.K. economy as a whole. Disruption and volatility in the global financial markets could have a material adverse effect on the Santander UK Group, including the Santander UK Group's ability to access capital and liquidity on financial terms acceptable to the Santander UK Group, which could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

### **The COVID-19 pandemic**

The COVID-19 pandemic has caused, and continues to cause, social disruption and a material economic downturn in the U.K. and globally, the effects of which continue to unfold and may worsen. This has had a material adverse effect on the Santander UK Group's operations and income, and could continue to have a material adverse effect on its operations, income, financial condition and prospects depending on a number of factors which remain uncertain at this point (further waves of infection, further variants of the COVID-19 virus, the distribution and further development of vaccines, further lockdowns and the speed and stability of the economic recovery, amongst others). To the extent the COVID-19 pandemic continues to adversely affect the global economy and/or the Santander UK Group, it may also have the effect of increasing the likelihood and/or magnitude of other risks described herein, or may pose other risks which are not presently known to the Santander UK Group or not currently expected to be significant to the Santander UK Group's business, operations or financial performance.

The COVID-19 pandemic has caused global disruption, which has impacted the Santander UK Group's customers, suppliers, staff and operations. In March 2020, the U.K., as well as other jurisdictions, implemented severe restrictions on the movement of the population, with a resultant significant impact on economic activity. Despite a gradual phasing out of such restrictions during the summer months of 2020, restrictions have since been reinstated with diverging stringency and at different times in jurisdictions across the globe. Although a number of vaccines are now available and more are expected, it remains unclear how restrictions will evolve through 2021; this will depend on the pace of the vaccination programme and its extension, possible mutations to the COVID-19 virus and the effectiveness of the vaccine and length of the immunity it grants. The Santander UK Group continues to monitor the situation closely.

In response to the COVID-19 pandemic, the Santander UK Group deployed working from home capabilities and adapted some of its key processes and working areas, such as branches and call centres, to the working requirements under lockdown. However, the Santander UK Group faces operational challenges arising from this deployment, including those presented by the unavailability of personnel and the changes in normal operating procedures, which put pressure on internal controls. The Santander UK Group has been, and may continue to be, adversely affected by disruptions to its infrastructure, business processes and technology services, including as a result of the temporary freeze on system changes unrelated to the COVID-19 pandemic, which was implemented in the second quarter of 2020 to minimise the impact of the additional pressures on the Santander UK Group's systems. The Santander UK Group may also face increased operational risks due to cyber security threats and fraud as the speed and extent of deployment of government schemes put additional pressure on internal controls. Working practices are under ongoing review to allow improved controls, better remote working and flexibility, to comply with social distancing measures on-site, and to be able to provide testing, cater for self-isolating needs and to allow a swift response to new lock down measures, all of which may lead to increased costs or further business disruption.

Like other jurisdictions, the U.K. government and central bank have launched measures to provide financial support to parts of the economy most impacted by the COVID-19 pandemic. The success of these measures (for example, lower interest rates, extensive central bank lending, extension of effective dates for regulatory changes, business lending schemes, payment holidays and furlough measures) to reactivate the economy and support households and businesses is still uncertain and may not be able to prevent a prolonged and deep crisis or even a recessionary environment. A significant number of customers have made use of these business lending schemes and payment holidays.

Several of these measures have had, and are expected to continue to have, a negative impact on the Santander UK Group's financial condition and results of operations. For example, the Santander UK Group's net interest income was impacted by an immediate repricing of assets following cuts in the Bank of England's ("BoE") base rate from 0.75% to 0.1% in response to the COVID-19 pandemic which was mitigated by deposit repricing actions in the second half of 2020. In addition, the Santander UK Group's non-interest income for the year ended 31 December 2020 decreased by 40% compared to 2019. This resulted from significantly lower banking and transaction fees in the Santander UK Group's retail business,

which, although largely due to expected reductions following the implementation of regulatory changes to overdraft income, were caused partly by the COVID-19 pandemic.

The impact of the COVID-19 pandemic on retail and corporate customers' income, profitability and prospects could significantly affect their ability to service and repay their loans. The Santander UK Group's credit impairment charges have consequently increased as the new credit scenarios, and the weights applied to those scenarios, under IFRS 9 reflect a range of potential economic outcomes due to the COVID-19 pandemic. These scenarios capture a range of recovery paths for the U.K. economy, reflecting the uncertain environment caused by the COVID-19 pandemic, including possible further local/regional lockdown restrictions in 2021 and the impact of the U.K. government responses. These scenarios have been weighted to the downside to reflect the longer path to recovery for the U.K..

The Santander UK Group recognised net provisions of £448 million relating to the COVID-19 pandemic during 2020, arising from the changes to economic scenarios and weights and the staging reclassification of certain loans following an in-depth sectoral and payment holiday review. During 2020 £0.8 billion of mortgage assets (based on a sample mortgage customer contact exercise, as well as additional Stage 1 customer data profiling) were transferred from Stage 1 to Stage 2 lifetime expected credit loss ("ECL"). The Santander UK Group has also transferred £3.1 billion corporate Stage 1 loans into Stage 2 lifetime ECL and £0.4 billion of corporate Stage 2 to Stage 3 ECL following contact with customers regarding possible concessions, review of the existing judgment perimeter and categorisation of sectors as "Low, Medium or High Risk" based on the Standard Industrial Classification (SIC) codes for 31 December 2020 reporting.

The assumptions and economic forecasts used in these scenarios, and the weights applied to them, may need to be reviewed further if the COVID-19 pandemic worsens and depending on the effects of further impacts on the global economy, international markets and in relation to specific business sectors, which may suffer worse losses than others or have a much slower recovery. The impact of the outbreak on the long-term prospects of businesses in these sectors is expected to be material and may lead to significant ECL charges on specific exposures, which may not be fully captured by ECL modelling techniques. Models are, by their nature, imperfect and incomplete representations of reality because they rely on assumptions and inputs, and so they may be subject to errors affecting the accuracy of their outputs and/or misused. This may be exacerbated when dealing with unprecedented scenarios, due to the lack of historical reference points and data. In the case of COVID-19, there are no precedents to model and forecast the effects of the COVID-19 pandemic and the related containment measures and financial support schemes in the medium and long term.

A recessionary economic environment could also lead to rating downgrades affecting the U.K., the Santander UK Group or its customers, investments and/or instruments, causing capital impacts due to increased risk weighted assets, an increase in the volatility of wholesale markets and the cost of funding.

#### **The U.K.'s withdrawal from the European Union could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects**

On 31 January 2020 the U.K. ceased to be a member of the EU, on withdrawal terms which established a transition period until 31 December 2020, during which the U.K. continued to be treated as an EU member state and applicable EU legislation continued to be in force (the "**Transition Period**"). A trade deal was agreed between the U.K. and the EU prior to the end of the Transition Period and the new regulations came into force on 1 January 2021.

The trade deal, however, did not include agreements on certain areas such as financial services and data adequacy, although a further transitional period has been agreed with respect to rules on the transfer of personal data between the EU and the U.K. until the end of June 2021. Without equivalence decisions or other agreements that provide market access on a stable and wide-spread basis, the Santander UK Group has, and will continue to have, a limited ability to provide cross-border services to EU customers and to trade with EU counterparties. It is uncertain whether equivalence decisions will be granted or whether a trade agreement with respect to financial services between the EU and the U.K. will be reached. The impact of any such trade agreement, equivalence decisions or any other cooperation mechanisms on financial markets generally, the extent of legislative and regulatory convergence and regulatory cooperation that would be required between the U.K. and the EU member states, as well as the level of access that may be granted to financial services firms across EU and U.K. markets is uncertain. The wider impact of Brexit on financial markets through market fragmentation, reduced access to finance and funding, and a lack of access

to certain financial market infrastructure, may affect the Santander UK Group's operations, financial condition and prospects and those of its customers and clients.

Uncertainty remains around the effect of the current trade deal on economic growth in the U.K. given that it does not address financial services and around the effect of the additional non-tariff trade barriers imposed on products. It is likely that growth will initially be disrupted as businesses adapt to the new cross-border procedures and rules applicable in the U.K. and in the EU to their activities, products, customers and suppliers.

While the longer term effects of the U.K.'s withdrawal from the EU are difficult to predict, there is ongoing political and economic uncertainty, which is likely to continue in the medium term and which could negatively affect the Santander UK Group's customers and clients and counterparties.

There are also other potential longer term impacts resulting from Brexit which could impact the U.K. economy and the Santander UK Group's business such as increased calls for a second referendum on Scottish independence from the U.K. and instability in Northern Ireland, if the current arrangements regarding the borders between the Republic of Ireland, Northern Ireland and Great Britain are called into further question.

If one or more of these risks were to materialise it could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

### **Business Model Risks**

#### **The Santander UK Group is exposed to competition from other financial institutions, including new entrants into the financial services sector**

The markets for U.K. financial services are very competitive and the Santander UK Group has seen strong competition from incumbent banks and large building societies. In addition, the Santander UK Group faces competition from a number of new entrants, non-banks and other providers.

The U.K. government and regulators are actively supporting the emergence of new entrants into the U.K. financial services market. The internet and mobile technologies are also changing customer behaviour and the competitive environment. There has been a steep rise in customer use of mobile banking in recent years and the strong trends towards customer digital adoption is expected to have been further accelerated during the COVID-19 pandemic. The Santander UK Group is investing in a multi-year transformation programme, including digitalisation of channels and services and automation of physical channels, to both meet customer preferences and protect its competitive position. There can be no assurance that the transformation programme will deliver the benefits sought from it. The Santander UK Group faces competition from established providers of financial services as well as from banking business developed by non-financial companies, including technology companies and large retail companies with strong brand recognition. Management expects such competition to continue or intensify as a result of customer behaviour and trends, technological changes, competitor behaviour, the growth in digital banking, new lending models and changes in regulation (including the recent introduction of Open Banking and changes arising from PSD2). As a result of any restructuring or evolution in the market, there may emerge one or more new viable competitors in the U.K. banking market or a material strengthening of one or more of the Santander UK Group's existing competitors in that market, limiting the Santander UK Group's ability to increase its customer base and expand its operations, increasing competition for investment opportunities and potentially reducing the Santander UK Group's market share.

Any of these factors or a combination thereof could result in a significant reduction in the profit of the Santander UK Group. The Santander UK Group gives consideration to the competitive position in its management actions, such as pricing, product decisions and business model. Increasing competition could mean that the Santander UK Group increases rates offered on deposits or lowers the rates it charges on loans, or changes its cost base, any of which could have a material adverse effect on its operations, financial condition and prospects.

**The Santander UK Group's ability to maintain its competitive position depends, in part, on the success of new products and services it offers its customers and its ability to continue offering products and services from third parties**

The success of the Santander UK Group's operations and its profitability depends, in part, on the success of new products and services it offers to customers and the way in which it offers and provides its products and services. The increasing availability of a wide range of digital or online products and services for customers requires banks like the Santander UK Group to enhance their offerings in order to retain and attract customers. However, the Santander UK Group cannot guarantee that its new products and services or the way in which it offers or provides its products and services will meet the needs or preferences of the Santander UK Group's customers which may change over time, and such changes may render the Santander UK Group's products and services obsolete, outdated or unattractive, and the Santander UK Group may not be able to develop new products that meet its customers' changing needs in a timely manner. As the Santander UK Group expands the range of its products and services, some of which may be at an early stage of development in the U.K. market, it will be exposed to known, new and potentially increasingly complex risks, including conduct risk, and development expenses. The Santander UK Group's employees and risk management systems, as well as its experience and that of its partners, may not be sufficient or adequate to enable it to properly handle or manage such risks. In addition, the cost of developing products that are not launched is likely to affect its operating results.

Any or all of the above factors, individually or collectively, could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

**The Santander UK Group's loan portfolio is subject to risk of prepayment**

The Santander UK Group's loan portfolio is subject to prepayment risk resulting from the ability of a borrower or issuer to pay a debt obligation prior to maturity. Generally, in a low interest rate environment, prepayment activity increases, which reduces the weighted average lives of the Santander UK Group's earning assets and could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

As a result the Santander UK Group could be required to amortise net premiums into income over a shorter period of time, thereby reducing the corresponding asset yield and net interest income and there is a risk that the Santander UK Group is not able to accurately forecast amortisation schedules for these purposes which may affect its profitability. Prepayment risk also has a significant adverse impact on credit card and collateralised mortgage loans, since prepayments could shorten the weighted average life of these assets, which may result in a mismatch in the Santander UK Group's funding obligations and reinvestment at lower yields. The risk of prepayment and its ability to accurately forecast amortisation schedules is inherent in the Santander UK Group's commercial activity and an increase in prepayments or a failure to accurately forecast amortisation schedules could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

**Damage to the Santander UK Group's reputation could cause harm to its business prospects**

Maintaining a positive reputation is critical to attracting and retaining customers, investors and employees and conducting business transactions with counterparties. Damage to the reputation of the Santander UK Group or Banco Santander SA (as the ultimate parent of the Santander UK Group), the reputation of affiliates operating under the "Santander" brand or any of its other brands could therefore cause significant harm to the Santander UK Group's business and prospects. Harm to the Santander UK Group's reputation can arise directly or indirectly from numerous sources, including, among others, employee misconduct (including the possibility of employee fraud), litigation, regulatory interventions and enforcement action, failure to deliver minimum standards of service and quality, disruption to service due to a cyber-attack, wider IT failures, compliance failures, third party fraud, financial crime, breach of legal or regulatory requirements, unethical behaviour (including adopting inappropriate sales and trading practices), and the activities of customers, suppliers, counterparties and the perception of the financial services industry as a whole. Further, negative publicity regarding the Santander UK Group, whether true or not, may result in harm to the Santander UK Group's operations, financial condition and prospects.

**If the Santander UK Group is unable to manage the growth of its operations, this could have a material adverse impact on its profitability**

The Santander UK Group allocates management and planning resources to develop strategic plans for organic growth, and to identify possible acquisitions and disposals and areas for restructuring its businesses when necessary. From time to time, the Santander UK Group evaluates acquisition, disposal, and partnership opportunities that it believes could offer additional value to its shareholders and customers, and are consistent with its business strategy. However, the Santander UK Group may not be able to identify suitable acquisition or partnership candidates and may not be able to acquire promising targets or form partnerships on favourable terms, or at all. Furthermore, preparations for acquisitions that the Santander UK Group does not complete can be disruptive. The Santander UK Group bases its assessment of potential acquisitions and partnerships on limited and potentially inexact information and on assumptions with respect to value, operations, profitability and other matters that may prove to be incorrect. The Santander UK Group's ability to benefit from any such acquisitions and partnerships will depend in part on its successful integration of those businesses. Such integration entails significant risks such as challenges in retaining the customers and employees of the acquired businesses, unforeseen difficulties in integrating operations and systems and unexpected liabilities or contingencies relating to the acquired businesses, including legal claims and regulatory investigations. Moreover, the success of the acquisition or venture will at least in part be subject to a number of political, economic and other factors that are beyond the Santander UK Group's control. The Santander UK Group can give no assurances that its expectations with regard to integration and synergies will materialise.

The Santander UK Group cannot provide assurance that it will, in all cases, be able to manage its growth effectively or to implement its strategic growth decisions, including its ability to:

- Manage efficiently the operations and employees of expanding businesses
- Maintain or grow its existing customer base
- Successfully execute its strategy
- Fully due diligence and assess the value, strengths and weaknesses of investment or acquisition candidates
- Finance strategic opportunities, investments or acquisitions
- Fully integrate strategic investments, or newly-established entities or acquisitions, in line with its strategy
- Align its current information technology systems adequately with those of an enlarged group
- Apply its risk management policy effectively to an enlarged group

Any or all of these factors, individually or collectively, could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

The Santander UK Group could suffer significant reputational harm if it fails to identify and manage potential conflicts of interest properly. The failure, or perceived failure, to adequately address conflicts of interest could affect the willingness of customers to deal with the Santander UK Group or give rise to litigation or regulatory enforcement actions against the Santander UK Group. Therefore, there can be no assurance that conflicts of interest will not arise in the future that could cause material harm to the Santander UK Group's financial condition and prospects.

**Capital and Liquidity Risk**

**The Santander UK Group is subject to regulatory capital, liquidity and leverage requirements that could limit its operations, and changes to these requirements may further limit and could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects**

*Capital Requirements Regulation and Capital Requirements Directive IV*

The Santander UK Group is subject to capital adequacy requirements applicable to banks and banking groups under 'retained' EU law and as adopted by the PRA. The Santander UK Group is required to maintain a minimum ratio of Common Equity Tier 1 ("**CET1**") capital to risk-weighted assets, Tier 1 capital to risk-weighted assets, total capital to risk-weighted assets and Tier 1 capital to total adjusted assets for leverage monitoring purposes. Any failure by the Santander UK Group to maintain such ratios above prescribed regulatory minimum levels may result in administrative actions or sanctions. These could potentially include requirements on the Santander UK Group to cease all or certain lines of new business, to raise new capital resources or, in certain circumstances, a requirement for the Santander UK Group's existing capital instruments (potentially including the Santander UK Group's debt securities) to be subjected to bail-in or write down (for more information, see the risk factor entitled "*Legal & Regulatory Risks* –

*The Santander UK Group may become subject to the provisions of the Banking Act 2009, including bail-in and write down powers*").

The EU Capital Requirements Directive IV ("**CRD IV Directive**") and the Capital Requirements Regulation (the "**CRR**" and together with the CRD IV Directive, "**CRD IV**") implemented changes proposed by the Basel Committee on Banking Supervision (the "**Basel Committee**") to the capital adequacy framework, known as 'Basel III' in the EU. The CRR has been amended through a series of EU regulations, including the Capital Requirements Regulation 2 (the "**CRR 2**") and the CRD IV Directive amended by the Capital Requirements Directive V (the "**CRD V Directive**"). The EUWA converted the directly applicable elements of CRD IV into U.K. law on 31 December 2020 and preserved existing U.K. law implementing the CRD IV directive.

In implementing CRD IV and the revised versions of the CRD IV, the PRA has required the capital resources of U.K. banks to be maintained at levels which exceed the base capital requirements prescribed by CRD IV and to cover relevant risks in their business. In addition, a series of capital buffers have been established under CRD IV and PRA rules to ensure a bank can withstand a period of stress. Though the results of the PRA's 2019 stress test (the most recent exercise undertaken) did not impact on the level of capital that the Santander UK Group is required to hold, the PRA could, in the future, as a result of stress testing exercises and as part of the exercise of U.K. macro-prudential capital regulation tools, or through supervisory actions, require the Santander UK Group to increase its capital resources further, which could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

#### *Liquidity Coverage Ratio (LCR)*

The LCR is intended to ensure that a bank maintains an adequate level of unencumbered, high quality liquid assets which can be used to offset the net cash outflows the bank could encounter under a short-term significant liquidity stress scenario. The current minimum requirement for LCR is set at 100%. The Santander UK Group's current liquidity position is in excess of the minimum requirements set by the PRA, however there can be no assurance that future changes to the applicable liquidity requirements would not have an adverse effect on the Santander UK Group's financial performance.

#### *Leverage Ratios*

The Financial Services Act 2012 (the "**FS Act**") also provides the Financial Policy Committee ("**FPC**") of the BoE with certain other macro-prudential tools for the management of systemic risk including quarterly setting of the countercyclical capital buffer rate and powers of direction relating to leverage ratios. All major U.K. banks and banking groups (including the Santander UK Group) are required to hold enough Tier 1 capital (75% of which must be CET1 capital) to satisfy a minimum leverage ratio requirement of 3.25% and enough CET1 capital to satisfy a countercyclical leverage ratio buffer of 35% of each bank's institution-specific countercyclical capital buffer rate. The PRA require U.K. globally systemically important banks ("**G-SIBs**") and Ring Fenced Bodies to hold enough CET1 capital to meet an additional leverage ratio buffer of 35% of the institution-specific G-SIB buffer rate or Other Systemically Important Institutions ("**O-SII**") buffer rates following the implementation of the CRD V Directive on 28 December 2020 (previously the Systemic Risk Buffer ("**SRB**") rate), and for consolidated groups which include a Ring Fenced Body to hold enough CET1 capital to meet the Additional Leverage Ratio Group Buffer ("**ALRB**"). The FPC can also direct the PRA to adjust capital requirements in relation to particular sectors through the imposition of sectoral capital requirements. Action taken in the future by the FPC in exercise of any of its powers could result in the regulatory capital requirements applied to the Santander UK Group being further increased, which could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.



### *Further Regulatory Changes*

Regulators in the U.K. and worldwide have also proposed that additional loss absorbency requirements should be applied to systemically important institutions to ensure that there is sufficient loss absorbing and recapitalisation capacity available in resolution. The BoE is required to set the Minimum Requirement for Eligible Liabilities ("**MREL**") for all institutions. The BoE expects banks to comply with end-state MREL requirements by 1 January 2022.

The U.K. implementation of the elements of CRR2 that are not currently in force, which include revisions to the leverage ratio, counterparty risk capital requirements and the net stable funding ratio ("**NSFR**"), is currently expected to be on 1 January 2022.

In addition to the above, regulators in the U.K. and worldwide have produced a range of proposals for future legislative and regulatory changes which could force the Santander UK Group to comply with certain operational restrictions or take steps to raise further capital, or could increase the Santander UK Group's expenses and could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects. These changes, which could affect the Santander UK Group as a whole, include the U.K. implementation of the Basel Committee's new market risk framework, which reflects rules made as a result of the Basel Committee's fundamental review of the trading book. In addition, in December 2017 the Basel Committee published their final version of the Basel III framework, with proposed implementation from 1 January 2022. This includes the following elements:

- Revisions to the standardised approach for credit risk, credit valuation adjustment risk and operational risk to address certain weaknesses identified by the Basel Committee;
- Additional constraints on the use of internal model approaches for credit risk, and removing the use of internal model approaches for credit valuation adjustment risk and operational risk;
- The use of an output floor based on standardised approaches; and
- The introduction of a leverage ratio buffer for global systemically important banks and refinements to the definition of the leverage ratio exposure measure.

The Basel Committee delayed the proposed implementation date of these revised rules to 1 January 2023. There is a risk that changes to the U.K.'s capital adequacy regime (including any increase to minimum leverage ratios) may result in increased minimum capital requirements, which could reduce available capital for new business purposes and adversely affect the Santander UK Group's cost of funding, profitability and ability to pay dividends, continued organic growth (including increased lending), or to pursue acquisitions or other strategic opportunities. Alternatively, the Santander UK Group could be required to restructure its balance sheet to reduce the capital charges incurred pursuant to the PRA's rules in relation to the assets held, or raise additional capital but at increased cost and subject to prevailing market conditions. In addition, changes to the eligibility criteria for Tier 1 and Tier 2 capital may affect the Santander UK Group's ability to raise Tier 1 and Tier 2 capital and impact the recognition of existing Tier 1 and Tier 2 capital resources in the calculation of the Santander UK Group's capital position. Furthermore, increased capital requirements may negatively affect the Santander UK Group's return on equity and other financial performance indicators.

The Santander UK Group's business could be affected if its capital is not managed effectively or if these measures limit the Santander UK Group's ability to manage its balance sheet and capital resources effectively or to access funding on commercially acceptable terms. Effective management of the Santander UK Group's capital position is important to the Santander UK Group's ability to operate its business, to continue to grow organically and to pursue its business strategy. There is a risk that implementing and maintaining existing and new liquidity requirements, such as through enhanced liquidity risk management systems, may incur significant costs, and more stringent requirements to hold liquid assets may materially affect the Santander UK Group's lending business as more funds may be required to acquire or maintain a liquidity buffer, thereby reducing future profitability. This could in turn adversely impact the Santander UK Group's operations, financial condition and prospects.

**Liquidity and funding risks are inherent in the Santander UK Group's business and could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects**

Liquidity risk is the risk that the Santander UK Group either does not have available sufficient financial resources to meet its obligations as they fall due or can secure them only at excessive cost. This risk is inherent in any retail and commercial banking business and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding, changes in credit ratings or market-wide phenomena such as market dislocation. While the Santander UK Group maintains a liquid asset buffer and implements liquidity management processes to seek to mitigate and control these risks, in particular, unforeseen systemic market factors like those experienced during the last financial crisis make it difficult to eliminate these risks completely. There can be no assurance that such circumstances will not reoccur. Extreme liquidity constraints may affect the Santander UK Group's operations and its ability to fulfil regulatory liquidity requirements, as well as limit growth possibilities. Disruption and volatility in the global financial markets could have a material adverse effect on the Santander UK Group's ability to access capital and liquidity on financial terms acceptable to it. A sudden or unexpected shortage of funds in the banking system could threaten the stability of the banking system, and lead to increased funding costs, a reduction in the term of funding instruments or require the Santander UK Group to liquidate certain assets, thereby impacting the Santander UK Group's liquidity position and its ability to pay its debts. If these circumstances were to arise, this could have a material adverse effect on the Santander UK Group's results, operations, financial condition and prospects.

The Santander UK Group's cost of funding is directly related to prevailing interest rates and to its credit spreads. Increases in interest rates and the Santander UK Group's credit spreads can significantly increase the cost of its funding. Changes in the Santander UK Group's credit spreads are market-driven and may be influenced by market perceptions of its creditworthiness. Changes to interest rates and the Santander UK Group's credit spreads occur continuously and may be unpredictable and highly volatile.

If wholesale markets financing ceases to be available, or becomes excessively expensive, the Santander UK Group may be forced to raise the rates it pays on deposits, with a view to attracting more customers, and/or to sell assets, potentially at depressed prices. The persistence or worsening of these adverse market conditions, significant increases in capital markets funding costs or deposit rates could have a material adverse effect on the Santander UK Group's interest margins, its cost of funding, access to liquidity and its profitability and therefore on its operations, financial condition and prospects.

In recent years the Santander UK Group has also made use of central bank funding schemes such as the BoE's Term Funding Scheme and the Term Funding Scheme with additional incentives for Small and Medium-Sized Enterprises ("**TFSME**"). As at 31 December 2020, the Santander UK Group had drawn £6.3 billion of cash under the Term Funding Scheme and a further £11.7 billion of cash under the TFSME.

More recently, in response to the COVID-19 pandemic, the BoE introduced the TFSME, with similar terms to its previous Term Funding scheme. The Santander UK Group has utilised this scheme as appropriate to mitigate and pre-empt funding risks that may arise as a result of the COVID-19 pandemic. A rapid removal or significant reduction, in outstanding quantitative easing purchase programmes could have an adverse effect on the Santander UK Group's ability to access liquidity and on its funding costs. Any significant reduction or withdrawal of any central bank funding facilities the Santander UK Group may be utilising at any given time could cause an increased dependence on term funding issues and increase its funding costs.

Each of the factors described above could have a material adverse effect on the Santander UK Group, including its ability to access capital and liquidity on financial terms acceptable to it and, more generally, on its operations, financial condition and prospects.

Further, the Santander UK Group aims for a funding structure that is consistent with its assets, avoids excessive reliance on short-term wholesale funding, attracts enduring retail and commercial deposits and provides diversification in products and tenor. The Santander UK Group therefore relies, and will continue to rely, on retail and commercial deposits to fund a significant proportion of lending activities. The ongoing availability of this type of funding is sensitive to a variety of factors outside the Santander UK Group's control, such as general economic conditions and the confidence of depositors in the economy, in the financial services industry in general, confidence in the Santander UK Group specifically, the Santander UK Group's credit rating and the availability and extent of deposit guarantees, as well as competition between banks for deposits or competition with other products, such as mutual funds. A change in any of these factors could significantly increase the amount of commercial deposit withdrawals in a short period

of time, thereby reducing its ability to access deposit funding on appropriate terms, or at all, in the future, and therefore have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

The Santander UK Group's liquidity planning assumes that customers will continue to make a volume of deposits with the Santander UK Group (particularly demand deposits and short-term time deposits), and the Santander UK Group intends to maintain its emphasis on the use of deposits as a source of funds. The short-term nature of some deposits could cause liquidity problems for the Santander UK Group in the future if deposits are not made in the volumes anticipated or are withdrawn at short notice or are not renewed. If a substantial number of depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, there may be a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

**An adverse movement in the Santander UK Group's external credit rating would likely increase its cost of funding, require the Santander UK Group to post additional collateral or take other actions under some of its derivative contracts and adversely affect the Santander UK Group's operations, financial condition and prospects**

Credit ratings affect the cost and other terms upon which the Santander UK Group is able to obtain funding. Credit rating agencies regularly evaluate the Santander UK Group, and their credit ratings of the Santander UK Group and the Santander UK Group's issued debt are based on a number of factors, including the Santander UK Group's financial strength, the strength of the U.K. economy and conditions affecting the financial services industry generally.

Any downgrade in the external credit ratings assigned to the Santander UK Group or any of the Santander UK Group's debt securities could have an adverse impact on the Santander UK Group. In particular, a downgrade in the Santander UK Group's credit ratings could increase its borrowing costs and could require it to post additional collateral or take other actions under some of derivatives, loan facilities or other financial contracts, and could limit its access to capital markets and have a material adverse effect on its operations, financial condition and prospects. For example, a credit rating downgrade could have a material adverse effect on the Santander UK Group's ability to sell or market certain products, engage in certain longer-term or derivatives transactions and retain its customers or investors, particularly those who need a minimum rating threshold in order to transact or invest.

Any of these results of a credit rating downgrade could, in turn, result in outflows and reduce the Santander UK Group's liquidity and have an adverse effect on the Santander UK Group, including its operations, financial condition and prospects. For example, the Santander UK Group estimates that at 31 December 2020, if Fitch, Moody's and S&P were concurrently to downgrade the long-term credit ratings of Santander UK plc by one notch, and thereby trigger a short-term credit rating downgrade, this could result in an outflow of £1.5 billion of cash and collateral. A hypothetical two notch downgrade would result in a further outflow of £1.9 billion of cash and collateral at 31 December 2020. These potential outflows are captured under the LCR regime. However, while certain potential impacts are contractual and quantifiable, the full consequences of a credit rating downgrade are inherently uncertain, as they depend upon numerous dynamic, complex and inter-related factors and assumptions, including market conditions at the time of any downgrade, whether any downgrade of a firm's long-term credit rating precipitates downgrades to its short-term credit rating, whether any downgrade precipitates changes to the way that the financial institutions sector is rated, and assumptions about the ratings of other financial institutions and the potential behaviours of various customers, investors and counterparties. Actual outflows will also depend upon certain other factors including any management or restructuring actions that could be taken to reduce cash outflows and the potential liquidity impact from a loss of unsecured funding (such as from money market funds) or loss of secured funding capacity.

There can be no assurance that the credit rating agencies will maintain the Santander UK Group's current credit ratings or outlooks. A failure to maintain favourable credit ratings or outlooks could increase the Santander UK Group's cost of funding, adversely affect the Santander UK Group's interest margins, and reduce its ability to secure both long-term and short-term funding. If a downgrade of a Santander UK Group member's long-term credit ratings were to occur, it could also impact the short-term credit ratings of other members of the Santander UK Group. The occurrence of any of these events could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

Negative changes to the U.K. sovereign credit rating, or the perception that further negative changes may occur, could have a material adverse effect on the Santander UK Group's operations, financial condition, prospects and the marketability and trading value of its securities. This might also have an impact on the Santander UK Group's own credit rating, borrowing costs and ability to secure funding. Negative changes to the U.K. sovereign credit rating, or the perception that further negative changes may occur, could also have a material effect in depressing consumer confidence, restricting the availability, and increasing the cost, of funding for individuals and companies, further depressing economic activity, increasing unemployment and reducing asset prices, which could in turn have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

**Changes in the Santander UK Group's pension liabilities and obligations could have a materially adverse effect on the Santander UK Group's operations, financial condition and prospects**

The majority of current employees are provided with pension benefits through defined contribution arrangements. Under these arrangements the Santander UK Group's obligation is limited to the cash contributions paid. The Santander UK Group provides retirement benefits for many of its former and current employees in the U.K. through a number of defined benefit pension schemes established under trust. Santander UK plc is the principal employer under the majority of these schemes, but it has only limited control over the rate at which it pays into such schemes. Under the U.K. statutory pension funding requirements employers are usually required to contribute to the schemes at the rate they agree with the scheme trustees although, if they cannot agree, the rate can be set by The Pensions Regulator. The scheme trustees may, in the course of discussions about future valuations, seek higher employer contributions. The scheme trustees' power in relation to the payment of pension contributions depends on the terms of the trust deed and rules governing the pension schemes, but, in some cases, the scheme trustees may have the unilateral right to set the employer's relevant contribution.

The Pensions Regulator has the power to issue a financial support direction to companies within a group in respect of the liability of employers participating in the U.K. defined benefit pension schemes where that employer is a service company, or is otherwise 'insufficiently resourced' (as defined for the purposes of the relevant legislation). As some of the employers within the Santander UK Group are service companies, if The Pensions Regulator determines that they have become insufficiently resourced and no suitable mitigating action is undertaken, other companies within the Santander UK Group which are connected with or an associate of those employers are at risk of a financial support direction in respect of those employers' liabilities to the defined benefit pension schemes in circumstances where The Pensions Regulator properly considers it reasonable to issue one. Such a financial support direction could require the companies to guarantee or provide security for the pension liabilities of those employers or could require additional amounts to be paid into the relevant pension schemes in respect of them.

The Pensions Regulator can also issue contribution notices if it is of the opinion that an employer has taken actions, or failed to take actions, deliberately designed to avoid meeting its pension promises or which are materially detrimental to the scheme's ability to meet its pension promises. A contribution notice can be issued to any company or individual that is connected with or an associate of such employer in circumstances where The Pensions Regulator considers it reasonable to issue it and multiple notices could be issued to connected companies or individuals for the full amount of the debt. The risk of a contribution notice being imposed may inhibit the Santander UK Group's freedom to restructure or to undertake certain corporate activities. There is a risk that the Santander UK Group could incur an obligation to make a contribution to the scheme by virtue of section 75 or 75A of the Pensions Act 1995 as a result of a reorganisation or disposal of the Santander UK Group's businesses.

Should the value of assets to liabilities in respect of the defined benefit schemes operated by the Santander UK Group record a deficit or an increased deficit (as appropriate), due to either a reduction in the value of the pension fund assets (depending on the performance of financial markets) not matched by a fall in the pension fund liabilities and/or an increase in the scheme liabilities not matched by an increase in the pension fund assets due to changes in legislation, mortality assumptions, discount rate assumptions, inflation, or other factors, or there is a change in the actual or perceived strength of the employer's covenant, this could result in the Santander UK Group having to make increased contributions to reduce or satisfy the deficits which would divert resources from use in other areas of its business and reduce its capital resources. While the Santander UK Group can control a number of the above factors, there are some over which the Santander UK Group has no or limited control. Although the trustees of the defined benefit pension schemes are obliged to consult with the Santander UK Group before changing the pension schemes' investment strategy, the trustees have the final say and ultimate responsibility for investment strategy rests with them.

Changes in U.K. legislation and regulation to address perceived failings in pension protection following recent high profile company insolvencies with large pension deficits may also affect the Santander UK Group's position. Specific areas where concerns have been raised are levels of dividends where there is a pension scheme with a deficit and the length of time taken to address deficits. Changes in legislation or regulation could result in the Santander UK Group having to make increased contributions to reduce or satisfy the deficits which would divert resources from use in other areas of its business and reduce its capital resources.

The defined benefit schemes have material investments in illiquid assets primarily unlisted credit, private equity and property. The value of these investments can only be known when they are realised. The value in the accounts is an estimate of the fair value of these investments but the final realised value could be materially different and if less than the value used could result in the Santander UK Group having to make increased contributions to reduce or satisfy resulting deficits which as above would divert resources from use in other areas of the business and reduce its capital resources.

Any increase in the Santander UK Group's pension liabilities and obligations as a result of the foregoing factors could have a material adverse effect on the Santander UK Group's operations, financial conditions and prospects.

## Market Risks

**The Santander UK Group's financial results are constantly exposed to market risk. The Santander UK Group is subject to fluctuations in interest rates and other market risks, which could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects**

Market risk refers to the probability of variations in the Santander UK Group's net interest income or in the market value of its assets and liabilities due to volatility of interest rates, credit spreads, exchange rates or equity prices.

Changes in interest rates would affect the following areas, among others, of the Santander UK Group's business:

- Net interest income
- The value of the Santander UK Group's derivatives transactions
- The market value of the Santander UK Group's securities holdings
- The value of the Santander UK Group's loans and deposits
- The volume of loans originated

Interest rates are highly sensitive to many factors beyond the Santander UK Group's control, including increased regulation of the financial sector, monetary policies, domestic and international economic and political conditions and other factors. Variations in interest rates could affect the interest earned on the Santander UK Group's assets and the interest paid on its borrowings, thereby affecting its net interest income, which comprises the majority of its revenue, reducing its growth rate and profitability and potentially resulting in losses. In addition, costs the Santander UK Group incurs putting into place strategies to reduce interest rate exposure could increase in the future, which could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

Increases in interest rates may reduce the volume of loans originated by the Santander UK Group. Sustained high interest rates have historically discouraged customers from borrowing and have resulted in increased delinquencies in outstanding loans and deterioration in the quality of assets. Increases in interest rates may also reduce the propensity of the Santander UK Group's customers to prepay or refinance fixed-rate loans, reduce the value of its financial assets and reduce gains or require the Santander UK Group to record losses on sales of the Santander UK Group's loans or securities, which could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

Due to the historically low interest rate environment in the U.K. in recent years, and following on from the BoE base rate cut to 0.1% in March 2020, the rates on many of the Santander UK Group's interest-bearing deposit products have been priced at or near zero, which may limit the Santander UK Group's ability to

further reduce customer rates in the event of further cuts in the BoE base rate putting pressure on the Santander UK Group's margins and profitability. If a generally low interest rate environment in the U.K. persists in the long term, it may be difficult to increase the Santander UK Group's net interest income, which could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

**The Santander UK Group is exposed to risks relating to the integrity and continued existence of reference rates**

The current expectation is that GBP, EUR, JPY and CHF LIBOR, as well as one-week and two-month USD LIBOR, will generally cease to be available for use after 31 December 2021, and that other USD LIBOR tenors will similarly cease after 30 June 2023. It is not yet clear whether a form of synthetic LIBOR (in respect of any of the aforementioned currencies) will be published for limited use in what may be defined as "tough legacy" transactions. The interaction of different legal initiatives in several jurisdictions may cause some interpretative ambiguities and conflicts of law, and the lack of a legal or regulatory framework in the U.K. for the automatic transition of legacy contracts makes such transition more complex and subject to a range of risks (including legal, litigation, conduct, system, model and reputational risks) that could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

On 29 November 2017, the FCA announced that its Working Group on Sterling Risk-Free Rates was to be mandated with implementing a broad-based transition to 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 and regulators in the U.K. continue to seek the replacement of LIBOR by the end of 2021.

Any such changes to, or replacement of benchmarks may cause contracts in which they are used to perform differently than in the past, or may have other consequential effects on any of the Santander UK Group's rights and obligations which depend on such benchmarks and any fallbacks. In particular, the transition from GBP LIBOR to SONIA and the elimination of the LIBOR benchmark will require an adjustment to the terms of financial contracts to which the Santander UK Group is a party which relate to LIBOR. This could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

Although it is expected that GBP LIBOR will be declared non-representative before the end of 2021, it is not yet clear when this will occur, or when other currency LIBOR rates and their different tenors will cease to exist, or whether a form of synthetic LIBOR will be published for limited use in what may be defined as "tough legacy" transactions. The interaction of different legal initiatives in several jurisdictions may cause some interpretative ambiguities and conflicts of law, and the lack of a legal or regulatory framework in the UK for the automatic transition of legacy contracts and agreements makes such transition more complex and subject to a range of risks (including legal, litigation, conduct, system, model and reputational risks) that could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

The Santander UK Group's most significant exposures are to GBP LIBOR, and mainly represent derivatives transacted to hedge its balance sheet risks, corporate loans and medium-term funding. At 31 December 2020, the Santander UK Group estimates the notional value of its contracts referencing post-2021 LIBOR benchmarks to be £81.1 billion.

When LIBOR is replaced or ceases to exist (or if the methodology for calculating LIBOR or any successor benchmark rate changes for any reason), interest rates on the Santander UK Group's floating rate obligations, loans, deposits, derivatives, and other financial instruments linked to LIBOR rates, as well as the revenue and expenses associated with those financial instruments, may be adversely affected. In addition, any uncertainty regarding the continued use and reliability of LIBOR as a benchmark interest rate could adversely affect the value of the Santander UK Group's floating rate obligations, loans, deposits, derivatives, and other financial instruments linked to LIBOR rates. Any such issues relating to LIBOR or other benchmarks or reference rates (including SONIA) could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

**Market conditions have resulted in, and could continue to result in, material changes to the estimated fair values of the Santander UK Group's financial assets. Negative change in positions recorded at fair value could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects**

The Santander UK Group has material exposures to securities, loans, derivatives and other investments that are recorded at fair value and are therefore exposed to potential negative market changes. A widening of market credit spreads, reflecting the prevailing market conditions would negatively impact asset valuations in future periods and may result in negative changes in the fair values of the Santander UK Group's financial assets. A tightening of the Santander UK Group's own credit spreads would increase the magnitude of liabilities, thereby reducing net assets.

In addition, the value ultimately realised by the Santander UK Group on disposal of assets and liabilities recorded at fair value may be lower than their current fair value; for example, during the last global financial crisis, financial markets were subject to periods of significant stress resulting in steep falls in perceived or actual financial asset values, particularly due to volatility in global financial markets and the resulting widening of credit spreads.

The Santander UK Group is also exposed to changes in the market value of credit and funding spreads for the valuation of certain derivative contracts, the estimated value of which is negatively exposed to increases in the Credit Valuation Adjustment ("CVA") spread and the Funding Fair Valuation Adjustment ("FFVA") spread over the lifetime of the transaction.

Any of these factors could require the Santander UK Group to record negative changes in fair value, which could have a material adverse effect on its operations, financial condition and prospects.

In addition, to the extent that fair values are determined using financial valuation models, such values may be inaccurate or subject to change, as the data used by such models may not be available or may become unavailable due to changes in market conditions, particularly for illiquid assets and in times of economic instability. In such circumstances, the Santander UK Group's valuation methodologies require it to make assumptions, judgements and estimates in order to establish fair value.

Reliable assumptions are difficult to make and are inherently uncertain. Moreover, valuation models are complex, making them inherently imperfect predictors of actual results. Any consequential impairments or write-downs could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

The Santander UK Group invests in debt securities of the U.K. Government largely for liquidity management purposes. At 31 December 2020, approximately 10% of the Santander UK Group's total assets and 10% of the Santander UK Group's securities portfolio were comprised of debt securities issued by the UK Government. Any failure by the U.K. Government to make timely payments under the terms of these securities, or a significant decrease in their market value, could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

## **Credit Risk**

**If the level of non-performing loans increases or the credit quality of the Santander UK Group's loans deteriorates in the future, or if the Santander UK Group's loan loss reserves are insufficient to cover loan losses, this could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects**

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Santander UK Group's businesses. Non-performing or low credit quality loans have in the past, and could continue to, have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

In particular, the amount of the Santander UK Group's reported non-performing loans may increase in the future as a result of growth in the Santander UK Group's total loan portfolio, including as a result of loan portfolios that the Santander UK Group may acquire in the future (the credit quality of which may turn out to be worse than the Santander UK Group had anticipated), or factors beyond the Santander UK Group's control, such as adverse changes in the credit quality of the Santander UK Group's borrowers and counterparties, a general deterioration in the U.K. or global economic conditions, the impact of political events, events affecting certain industries or events affecting financial markets and global economies.

There can be no assurance that the Santander UK Group will be able to effectively control the level of impaired loans in, or the credit quality of, its total loan portfolio, which could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

Interest rates payable on a significant portion of the Santander UK Group's outstanding mortgage loan products fluctuate over time due to, among other factors, changes in the BoE base rate. As a result, borrowers with variable interest rate mortgage loans are exposed to increased monthly payments when the related mortgage interest rate adjusts upward. Similarly, borrowers of mortgage loans with fixed or introductory rates adjusting to variable rates after an initial period are exposed to the risk of increased monthly payments at the end of this period. Over the last few years both variable and fixed interest rates have been at historically low levels, which has benefited borrowers of new loans and those repaying existing variable rate loans regardless of special or introductory rates. Future increases in borrowers' required monthly payments may result in higher delinquency rates and losses related to non-performing loans in the future. Borrowers seeking to avoid these increased monthly payments by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates. These events, alone or in combination, may contribute to higher delinquency rates and losses for the Santander UK Group, which could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

The Santander UK Group's current loan loss reserves may not be adequate to cover an increase in the amount of non-performing loans or any future deterioration in the overall credit quality of the Santander UK Group's total loan portfolio. The Santander UK Group's loan loss reserves are based on the Santander UK Group's current assessment of various factors affecting the quality of its loan portfolio, including its borrowers' financial condition, repayment abilities, the realisable value of any collateral, the prospects for support from any guarantor, government macroeconomic policies, interest rates and the legal and regulatory environment. Many of these factors are beyond the Santander UK Group's control. As a result, there is no precise method for predicting loan and credit losses, and no assurance can be provided that the Santander UK Group's current or future loan loss reserves will be sufficient to cover actual losses.

If the Santander UK Group's assessment of and expectations concerning the above mentioned factors differ from actual developments the Santander UK Group may need to increase its loan loss reserves, which may adversely affect the Santander UK Group's operations, financial condition and prospects. Additionally, in calculating its loan loss reserves, the Santander UK Group employs qualitative tools and statistical models which may not be reliable in all circumstances and which are dependent upon data that may not be complete. If the Santander UK Group is unable to control or reduce the level of its non-performing or poor credit quality loans, this could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

**The value of the collateral, including real estate, securing the Santander UK Group's loans may not be sufficient, and the Santander UK Group may be unable to realise the full value of the collateral securing the Santander UK Group's loan portfolio**

The value of the collateral securing the Santander UK Group's loan portfolio may significantly fluctuate or decline due to factors beyond the Santander UK Group's control, including macroeconomic factors affecting the U.K.'s economy. The Santander UK Group's residential mortgage loan portfolio is one of its principal assets, comprising 80.7% of the Santander UK Group's loan portfolio at 31 December 2020. As a result, the Santander UK Group is highly exposed to developments in the residential property market in the U.K..

House price growth strengthened over the second half of 2020 as a result of pent up demand during the first COVID-19 lockdown in the U.K. together with the stimulus provided by temporary changes in stamp duty; however, there is a high level of uncertainty in the outlook for house prices in 2021 as these effects subside and whether further stimulus measures may be introduced. The depth of the previous house price declines as well as the continuing uncertainty as to the extent and sustainability of the U.K. economic downturn and recovery will mean that losses could be incurred on loans should they go into possession.

The value of the collateral securing the Santander UK Group's loan portfolio may also be adversely affected by force majeure events such as natural disasters like floods or landslides exacerbated by climate change trends. Any force majeure event may cause widespread damage and could have an adverse impact on the economy of the affected region and may therefore impair the asset quality of the Santander UK Group's loan portfolio in that area.

The Santander UK Group may also not have sufficiently up-to-date information on the value of collateral, which may result in an inaccurate assessment for impairment losses on loans secured by such collateral.



If any of the above events were to occur, the Santander UK Group may need to make additional provisions to cover actual impairment losses of its loans, which could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

## **Legal & Regulatory Risks**

### **The Santander UK Group is subject to substantial and evolving regulation and governmental oversight**

As a financial services group, the Santander UK Group is subject to extensive financial services laws, regulations, administrative actions and policies in the U.K. (including retained EU law) and in each other location in which the Santander UK Group operates. For a discussion of the principal laws and regulations to which the Santander UK Group is subject, see "Regulation of the Santander UK Group". The sector is facing unprecedented levels of government and regulatory intervention and scrutiny, and changes to the regulations governing financial institutions and the conduct of business. In addition, regulatory and governmental authorities have continued to consider further enhanced or new legal or regulatory requirements intended to reduce the probability and impact of future crises (or otherwise assure the stability of institutions under their supervision), enhance consumer protection and improve controls in relation to financial crime-related risks. The Santander UK Group expects regulatory and government intervention in the banking sector to remain high for the foreseeable future. An intensive approach to supervision is maintained in the U.K. by the PRA, the Lending Standards Board ("**LSB**"), the FCA, the Payment Systems Regulator ("**PSR**") and the Competition and Markets Authority ("**CMA**").

As well as being subject to U.K. regulation, as part of the Banco Santander group, the Santander UK Group is also affected by other regulators such as the Banco de España (the "**Bank of Spain**") and the European Central Bank ("**ECB**"), as well as various legal and regulatory regimes (including the US) that have extra-territorial effect. Extensive legislation and implementing regulations affecting the financial services industry have recently been adopted in regions that directly or indirectly affect the Santander UK Group's business, including Spain, the US, the EU and other jurisdictions.

The manner in which financial services laws, regulations and policies are applied to the operations of financial institutions has gone through great change which is still being implemented and reviewed. Recent proposals and measures taken by governmental, tax and regulatory authorities and further future changes in supervision and regulation (in particular in the U.K.), are beyond the Santander UK Group's control and could materially affect the Santander UK Group's business.

Changes in U.K. legislation and regulation to address the stability of the financial sector may also affect the Santander UK Group's competitive position, particularly if such changes are implemented before international consensus is reached on key issues affecting the industry.

To the extent these laws, regulations and policies apply to it, the Santander UK Group may face higher compliance costs. The Santander UK Group may lack the capacity to readily respond to multiple regulatory or government policy changes simultaneously. Any legislative or regulatory actions and any required changes to the Santander UK Group's business operations resulting from such laws, regulations and policies as well as any deficiencies in the Santander UK Group's compliance with such laws, regulations and policies could result in significant loss of revenue, could have an impact on the Santander UK Group's strategy, limit its ability to pursue business opportunities in which the Santander UK Group might otherwise consider engaging, limit the Santander UK Group's ability to provide certain products and services and result in enforcement action and the imposition of financial and other penalties. They may also affect the value of assets that the Santander UK Group holds, requiring the Santander UK Group to increase its prices thereby reducing demand for the Santander UK Group's products or otherwise have a material adverse effect on its operations, financial condition and prospects. Accordingly, there can be no assurance that future changes in laws, regulations and policies or in their interpretation or application by the Santander UK Group or by regulatory authorities will not adversely affect the Santander UK Group.

Specific examples of areas where regulatory changes and increased regulatory scrutiny could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects include, but are not limited to, the following:

### *Banking Reform*

In accordance with the provisions of the Financial Services (Banking Reform) Act 2013 U.K. banking groups that hold significant retail deposits, including the Santander UK Group, were required to separate or 'ring-fence' their retail banking activities from their wholesale banking activities by 1 January 2019. The Santander UK Group completed its ring-fencing plans in advance of the legislative deadline of 1 January 2019. However, given the complexity of the ring-fencing regulatory regime and the material impact on the way the Santander UK Group conducts its business operations in the U.K., there is a risk that the Santander UK Group and/or Santander UK plc may be found to be in breach of one or more ring-fencing requirements. This might occur, for example, if prohibited business activities are found to be taking place within the ring-fence, mandated retail banking activities are found being carried on in a U.K. entity outside the ring-fenced part of the Santander UK Group or the Santander UK Group breached a PRA ring-fencing rule. If the Santander UK Group were found to be in breach of any of the ring-fencing requirements placed upon it under the ring-fencing regime, it could be subject to supervisory or enforcement action by the PRA, the consequences of which might include substantial financial penalties, imposition of a suspension or restriction on the Santander UK Group's U.K. activities or, in the most serious of cases, forced restructuring of the U.K. group, entitling the PRA (subject to the consent of the U.K. Government) to require the sale of a Santander ring-fenced bank or other parts of the Santander UK Group.

### *Competition*

Reviews and investigations by competition authorities (which in the U.K. include the CMA, the FCA and the PSR) into any aspect of the Santander UK Group's operations or the functioning of any markets in which the Santander UK Group operates.

### *Payments*

The Santander UK Group has been required to make systems changes and update processes to comply with a number of new payment regulations at a European as well as domestic U.K. level. Within the U.K., the Payment Systems Regulator has mandated the Santander UK Group to build systems and processes for both Confirmation of Payee as well as the Contingent Reimbursement Model Code ("**CRM**") which both aim to reduce the level of customer fraud (particularly through customers' manipulation into making payments known as "Authorised Push Payment" fraud). Under these standards, the Santander UK Group assumes responsibility for certain categories of customer losses and any inherent failing in system design may lead to fines from regulators and/or compensation being paid to customers. The Santander UK Group also expects to see significant developments in the key U.K. payment systems architecture with systems update of the high value Clearing House Automated Payment System ("**CHAPS**") system through the Real Time Gross Settlement ("**RTGS**") renewal as well as the "New Payments Architecture" for faster payments, BACS and the other lower value retail payment schemes. The COVID-19 pandemic has also accelerated the existing trend of declining use of cash. Combined with existing overcapacity, this has led the industry to consider the creation of a single "Cash Utility" which would manage the operation of all cash processing infrastructure within the U.K.. The Second Payment Services Directive ("**PSD2**") has been implemented within the U.K. and the U.K. continues to build upon the requirements within the EBA Regulatory Technical Standards via the Open Banking API industry standard and build. Open Banking and PSD2 both have shown that they have the potential to exacerbate a number of existing risks including data loss/data protection, cyber security, fraud and wider financial crime risk, which in turn could give rise to increased costs, litigation risk and risk of regulatory investigation and enforcement activity. The Santander UK Group has also adapted systems and pricing to comply with other European regulations – including the Second Cross Border Payments Regulation which has required the Santander UK Group to reduce prices for the majority of EEA currency payments in line with the price of their domestic equivalents.

### *Data Privacy*

Failure to comply with emerging and recently implemented laws and regulations concerning data privacy and localisation in a number of jurisdictions across the globe may result in regulatory sanctions. In particular, the General Data Protection Regulation (EU) 2016/679 ("**GDPR**"), including the GDPR as it forms part of U.K. domestic law by virtue of the EUWA, has introduced new obligations on data controllers and rights for data subjects. The implementation of the GDPR has required substantial amendments to the Santander UK Group's procedures and policies. The changes have had, and could continue to have, an adverse impact on the Santander UK Group's business by increasing its operational and compliance costs. If there are breaches of GDPR obligations, the Santander UK Group could face significant administrative

and monetary sanctions as well as reputational damage. The occurrence of any of these events could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

### *LIBOR*

On 5 March 2021, the FCA announced the dates on which the various LIBOR rates will either cease to be provided or cease to be representative of their underlying market. The FCA announced that for all LIBOR currencies other than USD LIBOR, publication would either cease or the relevant rate would no longer be representative from 31 December 2021. For USD LIBOR, the FCA announced that publication would either cease or the relevant rate would no longer be representative from 30 June 2023 though it is expected that publication of USD LIBOR rates from 31 December 2020 until 30 June 2023 will be primarily to support legacy USD LIBOR transactions and the origination of new USD LIBOR transactions after 31 December 2021 would be limited. There is currently no legal or regulatory framework for the automatic transition of legacy contracts and agreements, the transition away from LIBOR requires a multiyear bank wide programme and the operational, legal and regulatory risks involved in such complex transition could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

### *Insolvency*

Changes to the U.K. corporate insolvency regime were introduced through the Corporate Insolvency and Governance Act 2020, including a pre insolvency moratorium process for corporates in financial difficulty to give a period of time to seek a rescue or restructure and a new restructuring plan insolvency procedure to enable debt restructures. The Finance Act 2020 re-established certain tax debts owed by corporates as secondary preferential debts, ranking ahead of debts owed to floating charge holders. The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020 will introduce from May 2021 the ability for individuals in England and Wales to apply for a breathing space or mental health crisis moratorium during which creditors may not demand payment of interest or fees that accrue or enforce a debt owed by the applicant. It is not yet clear what impact these changes will have in relation to the collection and recovery of loans to retail and corporate customers who are in financial difficulty or default.

### *Evolving conduct and regulatory policy*

The CMA is seeking enhanced consumer protection powers, and is considering policy issues that may impact financial services, for example 'loyalty penalties' and the impact of digitalisation on consumer outcomes. There is the potential that the CMA and FCA take different stances on certain policy issues in these spheres.

### **The Santander UK Group may become subject to the provisions of the Banking Act 2009, including bail-in and write down powers**

The special resolution regime set out in the Banking Act 2009 (the "**Banking Act**") provides HM Treasury, the BoE, the PRA and the FCA with a variety of powers for dealing with U.K. deposit taking institutions (and, in certain circumstances, their holding companies) that are failing or likely to fail, including: (i) to take a bank or bank holding company into temporary public ownership; (ii) to transfer all or part of the business of a bank to a private sector purchaser; or (iii) to transfer all or part of the business of a bank to a 'bridge bank'. The special resolution regime also comprises a separate insolvency procedure and administration procedure each of which is of specific application to banks. These insolvency and administration measures may be invoked prior to the point at which an application for insolvency proceedings with respect to a relevant institution could be made.

If an instrument or order were made under the Banking Act in respect of an entity in the Santander UK Group, such instrument or order (as the case may be) may, among other things: (i) result in a compulsory transfer of shares or other securities or property of such entity; (ii) have an impact on the rights of the holders of shares or other securities issued by the Santander UK Group or such entity or result in the nullification or modification of the terms and conditions of such shares or securities; or (iii) result in the de-listing of the shares and/or other securities of such entity. In addition, such an order may affect matters in respect of the Santander UK Group or such entity and/or other aspects of the shares or other securities of the Santander UK Group or such entity, which may negatively affect the ability of the Santander UK Group or such entity to meet its obligations in respect of such shares or securities.

Further, amendments to the Insolvency Act 1986 and secondary legislation have introduced changes to the treatment and ranking of certain debts with the result that certain eligible deposits will rank in priority to the claims of ordinary (i.e. non-preferred) unsecured creditors in the event of an insolvency. This may negatively affect the ability of unsecured creditors to recover sums due to them in an insolvency scenario.

If a "bail-in" order were made under the Banking Act as amended by The Financial Services (Banking Reform) Act 2013 (as to which, see further "Regulation of the Santander UK Group – The Banking Act 2009"), such an order would be based on the principle that any creditors affected by the "bail-in" order should receive no less favourable treatment than they would have received had the bank entered into insolvency immediately before the coming into effect of the bail-in power. The bail-in power includes the power to cancel or write down (in whole or in part) certain liabilities or to modify the terms of certain contracts for the purposes of reducing or deferring the liabilities of a bank under resolution and the power to convert certain liabilities into shares (or other instruments of ownership) of the bank. Certain liabilities are excluded from the scope of the bail-in powers, including liabilities to the extent that they are secured (such as the rights of the Covered Bondholders in respect of the Covered Bond Guarantee to the extent they are secured). There can be no assurance that Covered Bondholders will not be adversely affected by the amendments and/or any action taken under the new bail-in power. The bail-in power under the Banking Act may potentially be exercised in respect of any unsecured debt securities issued by a bank under resolution or an entity in the Santander UK Group, regardless of when they were issued. Accordingly, the bail-in power under the Banking Act could be exercised in respect of the Santander UK Group's debt securities. Public financial support would only be used as a last resort, if at all, after having assessed and utilised, to the maximum extent practicable, the resolution tools including the bail-in tool and the occurrence of circumstances in which bail-in powers would need to be exercised in respect of the Santander UK Group or any entity in the Santander UK Group would have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

The PRA also has the power to make rules requiring a parent undertaking of a bank to make arrangements to facilitate the exercise of resolution powers, including a power to require a member of a banking group to issue debt instruments. The exercise of such powers could have an impact on the liquidity of the Santander UK Group's debt instruments and could materially increase the Santander UK Group's cost of funding.

In addition, the BRRD provides for resolution authorities to have the power to require institutions and groups to make structural changes to ensure legal and operational separation of 'critical functions' from other functions where necessary, or to require institutions to limit or cease existing or proposed activities in certain circumstances. As a result of changes to the PRA Rulebook made to implement the BRRD, the Santander UK Group is now required to identify such 'critical functions' as part of its resolution and recovery planning. If used in respect of the Santander UK Group, these ex ante powers could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

**The Santander UK Group must comply with anti-money laundering, anti-terrorism, anti-bribery and corruption, sanctions and anti-tax evasion laws and regulations and a failure to prevent or detect any illegal or improper activities fully or on a timely basis could have a material adverse effect on the Santander UK Group's operations, financial condition or prospects**

The Santander UK Group is required to comply with applicable anti-money laundering ("AML"), counter-terrorism financing ("CTF"), anti-bribery and corruption, sanctions, anti-tax evasion and other laws and regulations in the jurisdictions in which the Santander UK Group operates. These laws and regulations require the Santander UK Group, among other things, to conduct customer due diligence (including in respect of sanctions and politically-exposed person screening), ensure account and transaction information is kept up to date and implement effective financial crime policies and procedures detailing what is required from those responsible in order to counter financial crime risks. The Santander UK Group is also required to conduct financial crime training for its staff and to report suspicious transactions and activity to appropriate law enforcement.

The policies and procedures require the implementation and embedding of effective controls and monitoring within the businesses of the Santander UK Group, which requires ongoing changes to systems, technology and operational activities. Comprehensive and risk based financial crime training at a group-wide and business unit level is a key element of this, with the FCA providing guidance on expectations within its Financial Crime Guide. Financial crime is continually evolving. This requires proactive and adaptable responses from the Santander UK Group so that it is able to deter threats and criminality

effectively. Even known threats can never be fully eliminated, and there will be instances where the Santander UK Group may be used by other parties to engage in money laundering and other illegal or improper activities. In addition, the Santander UK Group relies heavily on its staff to assist the Santander UK Group by identifying such activities and reporting them, and the Santander UK Group's staff have varying degrees of experience in recognising criminal tactics and understanding the level of sophistication of criminal organisations. Where the Santander UK Group outsources any of its customer due diligence, customer screening or anti financial crime operations, it remains responsible and accountable for full compliance and any breaches. If the Santander UK Group is unable to apply the necessary scrutiny and oversight, or if such oversight proves insufficient to detect illegal or improper activities, there remains a risk of regulatory breach and this could have a material adverse effect on its operations, financial condition and prospects.

Over the last decade, financial crime risk has become the subject of enhanced regulatory scrutiny and supervision by regulators globally, and such scrutiny continues to intensify. Consequently, AML, CTF, anti-bribery and corruption and sanctions laws and regulations have become, and may continue to become, increasingly complex and detailed and have become, and may continue to become, the subject of enhanced regulatory supervision, requiring improved systems, sophisticated monitoring and skilled compliance personnel. The complexity in the area of financial crime policy is a significant challenge, involving overlapping requirements between different legislation, and, in some instances, conflicts of laws. The divergence of policy approaches between the EU/U.K. and U.S. in the area of financial sanctions is exacerbated by the lack of clear guidance from the U.K. Office of Financial Sanctions Implementation.

U.K. AML / CTF legislation continues to change – most recently in September 2020 – which can lead to substantial amendments to the Santander UK Group's AML / CTF procedures and policies, with additional training and guidance required for employees. Further such amendments will likely be required going forward to reflect changes to U.K. laws and Government policy post-Brexit. While there are opportunities to increase effectiveness and efficiency in the overall anti-financial crime system, there are also risks of legislative and regulatory divergence from EU requirements. Significant change could adversely impact the Santander UK Group's business by increasing its operational and compliance costs and reducing the value of its assets and operations, which would in turn have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

If the Santander UK Group is unable to fully comply with applicable laws, regulations and expectations, its regulators and relevant law enforcement agencies have the ability and authority to pursue civil and criminal proceedings against it, to impose significant fines and other penalties on it, including requiring a complete review of the Santander UK Group's business systems, day-to-day supervision by external consultants, imposing restrictions on the conduct of the Santander UK Group's business and operations and ultimately the revocation of the Santander UK Group's banking licence. The reputational damage to its business and brand could be severe if the Santander UK Group were found to have materially breached AML, CTF, anti-bribery and corruption or sanctions requirements. The Santander UK Group's reputation could also suffer if it were unable to protect the Santander UK Group's customers or its business from being used by criminals for illegal or improper purposes. Any of these outcomes could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

At an operational level, geo-political, economic and social changes can provide opportunities to financial criminals and alter the risks posed to banks. Effective intelligence and monitoring systems within strengthened public/private partnerships to share knowledge on emerging risks are required to help mitigate these risks. However, there can be no guarantee that any intelligence shared by public authorities or other financial institutions will be accurate or effective in helping the Santander UK Group to combat financial crime, and if, despite such efforts, the Santander UK Group fails to combat financial crime effectively then this could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

In addition, while the Santander UK Group reviews its relevant counterparties' internal policies and procedures (for example, under its correspondent banking relationships) with respect to such matters, the Santander UK Group, to a large degree, relies upon its relevant counterparties to maintain and properly apply their own appropriate anti-financial-crime procedures. Such measures, procedures and compliance may not be completely effective in preventing third parties from using its (and its relevant counterparties') services as a conduit for money laundering (including illegal cash operations) without its (or its relevant counterparties') knowledge. There are also risks that other third parties, such as suppliers, could be involved in financial crime. If the Santander UK Group is associated with, or even accused of being associated with,

financial crime (or a business involved in financial crime), then its reputation could suffer and it could become subject to civil or criminal proceedings that could result in penalties, sanctions and legal enforcement (including being added to "black lists" that would prohibit certain parties from engaging in transactions with it), any one of which could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

#### **The Santander UK Group is subject to tax-related risks**

The Santander UK Group is subject to the substance and interpretation of U.K. tax laws and is subject to routine review and audit by tax authorities in relation thereto. The Santander UK Group's interpretation or application of these tax laws may differ from those of the relevant tax authorities. While the Santander UK Group provides for potential tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities, the amounts ultimately paid may differ materially from the amounts provided depending on the ultimate resolution of such matters. In general, changes to tax laws and tax rates, including as a result of policy changes by governments and/or regulators, and penalties for failing to comply with such changes, could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects. Some of these changes may be specific to the banking/financial services sectors and therefore result in the Santander UK Group incurring an additional tax burden when compared to other industry sectors.

#### **The Santander UK Group is exposed to risk of loss and damage from civil litigation and/or criminal legal and regulatory proceedings**

The Santander UK Group faces various legal and regulatory issues that have given rise and may give rise to civil or criminal litigation, arbitration, and/or criminal, tax, administrative and/or regulatory investigations, inquiries or proceedings. Failure to adequately manage the risks arising in connection with legal and regulatory issues, including the Santander UK Group's obligations under existing applicable laws and regulations or its contractual obligations, including arrangements with its customers and suppliers, or failing to properly implement applicable laws and regulations could result in significant loss or damage including reputational damage, all of which could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

Additionally, the current regulatory environment, with the continuing heightened supervisory focus, combined with the forthcoming regulatory change initiatives, will lead to material operational and compliance costs. Relevant risks include:

- Regulators, agencies and authorities with jurisdiction over the Santander UK Group, including the BoE, the PRA and the FCA, HM Treasury, HM Revenue & Customs ("**HMRC**"), the CMA, the Commission, the Information Commissioner's Office, the Financial Ombudsman Service ("**FOS**"), the PSR, the Serious Fraud Office ("**SFO**"), the National Crime Agency ("**NCA**"), the Office of Financial Sanctions ("**OFSI**") or the Courts, may determine that certain aspects of the Santander UK Group's business have not been or are not being conducted in compliance with applicable laws or regulations (or that policies and procedures are inadequate to ensure compliance), or, in the case of the FOS, with what is fair and reasonable in the FOS's opinion. Changes in policy, laws and regulations including in relation to SME dispute resolution and liability for authorised push payment fraud and unauthorised payment fraud, may have significant consequences and lead to material implementation, operational and compliance costs.
- An adverse finding by a regulator, agency or authority could result in the need for extensive changes in systems and controls, business policies, and practices coupled with suspension of sales, restrictions on conduct of business and operations, withdrawal of services, customer redress, fines and reputational damage.
- The increased focus on competition law in financial services and concurrent competition enforcement powers for the FCA and PSR may increase the likelihood of competition law related inquiries or investigations initiated by either the CMA or these authorities. In addition, the CMA's widening focus on market outcomes may result in increased reviews by the CMA of the markets in which the Santander UK Group operates.
- The alleged historical or current mis-selling of, or misconduct in relation to, financial products, such as mortgages, arising from causes such as the alleged overcharging of interest, the alleged

inappropriate sale of interest-only mortgages and the alleged unfair use of the standard variable rate and Payment Protection Insurance ("PPI"), including as a result of having sales practices and/or rewards structures that are deemed to have been inappropriate, has given rise to and may in the future give rise to a risk of civil litigation (including claims management company driven legal campaigns). Such matters may in the future give rise to the risk of regulatory enforcement action requiring the Santander UK Group to amend sales processes, withdraw products or provide restitution to affected customers, any of which may require additional provisions to be recorded in the Santander UK Group's financial statements and could adversely impact future revenues from affected products.

- The Santander UK Group may have held and may continue to hold bank accounts for entities that might be or are subject to scrutiny from various regulators and authorities, including the SFO, the NCA and regulators in the U.S. and elsewhere, which has led and could in the future lead to the Santander UK Group's conduct being reviewed as part of any such scrutiny.
- The Santander UK Group may be liable for damages to third parties harmed by the Santander UK Group's conduct of business. For competition law, there are efforts by governments across Europe to promote private enforcement as a means of obtaining redress for harm suffered as a result of competition law breaches. Under the Consumer Rights Act 2015, there is scope for class actions to be used to allow the claims of a whole class of claimants to be heard in a single action in both follow-on and standalone competition cases.

The Santander UK Group is (and will continue from time to time to be) subject to certain legal or regulatory investigations, inquiries and proceedings, both civil and criminal including in connection with the Santander UK Group's lending and payment activities, treatment of customers, relationships with the Santander UK Group's employees, financial crime, and other commercial or tax matters. These may be brought against the Santander UK Group under U.K. legal or regulatory processes, or under legal or regulatory processes in other jurisdictions, such as the EU and the US, in circumstances where overseas regulators and authorities may have jurisdiction by virtue of its activities or operations.

In view of the inherent difficulty of predicting the outcome of legal or regulatory proceedings, particularly where opportunistic claimants seek very large or indeterminate damages, cases present novel legal theories, involve a large number of parties or are in the early stages of discovery, or where the approaches of regulators or authorities to legal or regulatory issues and sanctions applied are subject to change, the Santander UK Group cannot state with confidence what the eventual outcome of any pending matters will be and any such pending matters are not disclosed by name because they are under assessment. The Santander UK Group's provisions in respect of any pending legal or regulatory proceedings are made in accordance with relevant accounting requirements. These provisions are reviewed periodically. However, in light of the uncertainties involved in such legal or regulatory proceedings, there can be no assurance that the ultimate resolution of these matters will not exceed the provisions currently accrued by the Santander UK Group. As a result, the outcome of a particular matter (whether currently provided or otherwise) could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

The developing legal and regulatory regime in which the Santander UK Group operates requires it to be compliant across all aspects of its business, including the training, authorisation and supervision of personnel and the development of systems, processes and documentation. If the Santander UK Group fails to be compliant with relevant law or regulation, there is a risk of an adverse impact on its business from more proactive regulatory intervention (including by any overseas regulator which establishes jurisdiction), investigation and enforcement activity leading to sanctions, fines, civil or criminal penalties, or other action imposed by or agreed with the regulatory authorities, as well as increased costs associated with responding to regulatory inquiries and defending regulatory actions. Customers of financial services institutions, including the Santander UK Group's customers, may seek redress if they consider that they have suffered loss for example as a result of the mis-selling of a particular product, or through incorrect application or enforcement of the terms and conditions of a particular product or in connection with a competition law infringement and the Santander UK Group's rights under a contract with its customers may in certain circumstances be unenforceable or otherwise impaired.

The Financial Services and Markets Act 2000 (Designated Consumer Bodies) Order 2013 (the Designated Consumer Bodies Order) was made on 16 December 2013 and came into force on 1 January 2014. The Designated Consumer Bodies Order designates the National Association of Citizens Advice Bureaux, the Consumers' Association, the General Consumer Council for Northern Ireland and the National Federation

of Self Employed and Small Businesses as consumer bodies that may submit a 'super-complaint' to the FCA. A 'super-complaint' is a complaint made by any of these designated consumer bodies to the FCA on behalf of consumers of financial services where it considers that a feature, or a combination of features, of the market for financial services in the U.K. is seriously damaging the interests of these customers. Complaints about damage to the interests of individual consumers will continue to be dealt with by the FOS. If a 'super-complaint' were to be made against a Santander UK Group entity by a designated consumer body under the Designated Consumer Bodies Order, any response published or action taken by the FCA could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

Given the: (i) requirement for compliance with an increasing volume of relevant laws and regulations; (ii) more proactive regulatory intervention and enforcement and more punitive sanctions and penalties for infringement; (iii) inherent unpredictability of litigation; (iv) evolution of the jurisdiction of FOS and CMA and related impacts; (v) development of a voluntary dispute resolution service to oversee the resolution of historic complaints from SMEs that meet the relevant eligibility criteria and new complaints from SMEs that would be outside the FOS' proposed revised jurisdiction; (vi) introduction of a voluntary code to enhance protection for customers who are victims of authorised push payment fraud; and (vii) high volume of new regulations or policy changes from multiple regulators and authorities which the Santander UK Group is mandated to implement within compressed timescales; it is possible that related costs or liabilities could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

### **Operational Risks**

#### **Failure to successfully apply or to improve the Santander UK Group's credit risk management systems could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects**

As a commercial banking group, one of the main types of risks inherent in the Santander UK Group's business is credit risk. For example, an important feature of the Santander UK Group's credit risk management system is to employ the Santander UK Group's own credit rating system to assess the particular risk profile of a customer. This system is primarily generated internally, but, in the case of counterparties with a global presence, also builds off the credit assessment assigned by other Banco Santander group members. As this process involves detailed analysis of the customer or credit risk, taking into account both quantitative and qualitative factors, it is subject to human and IT systems errors. In exercising their judgement on current or future credit risk behaviour of the Santander UK Group's customers, the Santander UK Group's employees may not always be able to assign a correct credit rating, which may result in a larger exposure to higher credit risks than indicated by the Santander UK Group's risk rating system. The Santander UK Group may not be able to detect all possible risks before they occur, or its employees may not be able to effectively apply its credit policies and guidelines due to limited tools available to the Santander UK Group, which may increase its credit risk.

Any failure to effectively apply, consistently monitor and refine the Santander UK Group's credit risk management systems may result in an increase in the level of non-performing loans and higher losses than expected, which could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

#### **The Santander UK Group's data management policies and processes may not be sufficiently robust**

Critical business processes across the Santander UK Group rely on large volumes of data from a number of different systems and sources. If data governance (including data retention and deletion, data quality and data architecture policies and procedures) is not sufficiently robust, manual intervention, adjustments and reconciliations may be required to reduce the risk of error in the Santander UK Group's external reports or in reporting to senior management or regulators. Inadequate policies and processes may also affect the Santander UK Group's ability to use data to service customers more effectively or to improve the Santander UK Group's product offering. The Santander UK Group must also comply with requirements under law or regulation which require classification of customers, counterparties, financial transactions or instruments. Financial institutions that fail to comply with in-country (local) and global regulatory and compliance requirements may face supervisory measures, which could in turn have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.



## **The Santander UK Group's business is subject to risks related to cyber-crime**

The Santander UK Group's systems, software and networks may be vulnerable to unauthorised access, misuse, computer viruses or other malicious code and other events that could have a security impact. The interception, misuse or mishandling of personal, confidential or proprietary information sent to or received from a client, vendor, service provider, counterparty or third party could result in legal liability, regulatory action and reputational harm, and therefore have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

Furthermore, the Santander UK Group may be required to expend significant additional resources to modify the Santander UK Group's protective measures or to investigate and remediate vulnerabilities or other exposures. The Santander UK Group expects its programmes of change to have an effect on its risk profile, both technological and regulatory. Whether it is the opportunities from adoption of cloud technology, systems to support important regulatory initiatives, or the desire to identify, prioritise and remove obsolete systems from operations, the operational risk associated with systems change is likely to increase and this will therefore remain an area of key focus in the Santander UK Group's risk management. There can be no assurance that the Santander UK Group will not suffer material losses from such operational risks in the future, including those relating to any security breaches, which could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

In particular, in recent years the computer systems of companies and organisations have been targeted by cyber criminals, activists and nation-state-sponsored groups. Like other financial institutions, the Santander UK Group manages and holds confidential personal information of customers in the conduct of its banking operations, as well as a large number of assets. Consequently, the Santander UK Group has been, and continues to be, subject to a range of cyber-attacks, such as malware, phishing and denial of service.

Cyber-attacks could result in the loss of significant amounts of customer data and other sensitive information, as well as significant levels of liquid assets (including cash). In addition, cyber-attacks could give rise to the disablement of the Santander UK Group's electronic systems used to service its customers. Any material disruption or degradation of the Santander UK Group's systems could cause information, including data related to customer requests, to be lost or to be delivered to the Santander UK Group's clients with delays or errors, which could reduce demand for the Santander UK Group's services and products. As attempted attacks continue to evolve in both scope and sophistication, the Santander UK Group may incur significant costs in order to modify or enhance its protective measures against such attacks, or to investigate or remediate any vulnerability or resulting breach, or in communicating cyber-attacks to its customers. If the Santander UK Group fails to effectively manage its cyber security risk, the impact could be significant and may include harm to the Santander UK Group's reputation and make the Santander UK Group liable for the payment of customer compensation, regulatory penalties and fines. Factors such as failing to apply critical security patches from its technology providers, to manage out obsolete technology or to update the Santander UK Group's processes in response to new threats could give rise to these consequences, which, if they occur, could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects. This might also include significant increases in the premiums paid on cyber insurance policies or changes to policy limits and cover.

In addition, the Santander UK Group may also be affected by cyber-attacks against national critical infrastructures in the U.K. or elsewhere, for example, the telecommunications network or cloud computing providers used by the Santander UK Group. In common with other financial institutions the Santander UK Group is dependent on such networks to provide digital banking services to its customers, connect its systems to suppliers and counterparties, and allow its staff to work effectively from their homes. Any cyber-attack against these networks could negatively affect its ability to service its customers. As the Santander UK Group does not operate these networks it has limited ability to protect the Santander UK Group's business from the adverse effects of cyber-attack against them. Further, the domestic and global financial services industry, including key financial market infrastructure, may be the target of cyber disruption and attack by cyber criminals, activists or governments looking to cause economic instability. The Santander UK Group has limited ability to protect its business from the adverse effects of cyber disruption or attack against its counterparties and key national and financial market infrastructure. If such a disruption or attack were to occur it could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

**The Santander UK Group is exposed to risk from potential non-compliance with policies, employee misconduct, human error, negligence and fraud**

The Santander UK Group is exposed to risk from potential non-compliance with policies, employee misconduct, human error, negligence and fraud. It is not always possible to deter or prevent such non-compliance, employee misconduct, human error, negligence or fraud and the precautions the Santander UK Group takes to detect and prevent this activity may not always be effective. Any such matters could result in regulatory sanctions and cause reputational or financial harm, which could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

**Any failure to effectively manage changes in the Santander UK Group's information technology infrastructure and management information systems in a timely manner could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects**

The Santander UK Group's businesses and its ability to remain competitive depends to a significant extent upon the functionality of its information technology systems and on its ability to upgrade and expand the capacity of its information technology infrastructure on a timely and cost-effective basis. The proper functioning of the Santander UK Group's financial control, risk management, credit analysis and reporting, accounting, customer service, financial crime, conduct and compliance and other information technology systems, as well as the communication networks between branches and main data processing centres, are critical to its businesses and its ability to compete. Investments and improvements in the Santander UK Group's information technology infrastructure are regularly required in order to remain competitive. It cannot be certain that in the future the Santander UK Group will be able to maintain the level of capital expenditure necessary to support the improvement, expansion or upgrading of its information technology infrastructure as effectively as its competitors; this may result in a loss of any competitive advantages that the Santander UK Group's information technology systems provide. Any failure to effectively improve, expand or upgrade its information technology infrastructure and management information systems in a timely manner could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

From time to time the Santander UK Group is required to migrate information relating its customers to new information technology systems. Any failure to manage such migration effectively could have a negative impact on the Santander UK Group's ability to provide services to its customers and could cause reputational damage to the Santander UK Group which could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

**The Santander UK Group may be exposed to unidentified or unanticipated risks despite its risk management policies, procedures and methods and may be exposed to risk related to errors in the Santander UK Group's risk modelling**

The management of risk is an integral part of the Santander UK Group's activities. The Santander UK Group seeks to monitor and manage its risk exposure through a variety of risk reporting systems. While the Santander UK Group employs a broad and diversified set of risk monitoring and risk mitigation techniques and strategies, they may not be fully effective in mitigating the Santander UK Group's risk exposure in all economic market environments or against all types of risk, including risks that the Santander UK Group fails to identify or anticipate.

Some of the Santander UK Group's tools and metrics for managing risk are based upon its use of observed historical market behaviour. The Santander UK Group applies statistical and other tools to these observations to arrive at quantifications of its risk exposures. These tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors the Santander UK Group did not anticipate or correctly evaluate in its statistical models. This would limit its ability to manage its risks. The Santander UK Group's losses thus could be significantly greater than the historical measures indicate. In addition, the Santander UK Group's quantified modelling does not take all risks into account. The Santander UK Group's more qualitative approach to managing those risks could prove insufficient, exposing it to material, unanticipated losses. The Santander UK Group could face adverse consequences as a result of decisions, which may lead to actions by management, based on models that include errors or are otherwise inadequately developed, implemented or used, or as a result of the modelled outcome being misunderstood. If existing or potential customers or counterparties believe its risk management is inadequate, they could take their business elsewhere or seek to limit their transactions with the Santander

UK Group. These occurrences could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

**The Santander UK Group relies on third parties and affiliates for important infrastructure support, products and services**

Third party providers and certain affiliates provide key components of the Santander UK Group's business infrastructure such as loan and deposit servicing systems, back office and business process support, information technology production and support, internet connections and network access. Relying on these third party providers and affiliates is a source of operational and regulatory risk, including security breaches affecting third parties and other parties that interact with these providers. As the use and depth of the Santander UK Group's relationship with these third parties and affiliates increases, including the use of cloud based services, the Santander UK Group increasingly faces the risk of operational failure with respect to its systems. The Santander UK Group may be required to take steps to protect the integrity of its operational systems, thereby increasing its operational costs. In addition, any problems caused by these third parties or affiliates, including as a result of them not providing the Santander UK Group their services for any reason, or performing their services poorly, could adversely affect the Santander UK Group's ability to deliver products and services to customers and otherwise conduct its business, which could lead to reputational damage and regulatory investigations and intervention. Replacing these third party vendors or affiliates could also entail significant delays and expense. Further, the operational and regulatory risk the Santander UK Group faces as a result of these arrangements may be increased to the extent that it restructures such arrangements. Any restructuring could involve significant expense to the Santander UK Group and entail significant delivery and execution risk which could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

**The Santander UK Group relies on recruiting, retaining and developing appropriate senior management and skilled personnel**

The Santander UK Group's continued success depends in part on the continued service of key members of its senior executive team and other key employees. The ability to continue to attract, develop, train, motivate and retain highly qualified and talented professionals is a key element of the Santander UK Group's strategy. The successful implementation of the Santander UK Group's strategy depends on the availability of skilled and appropriate management, both at the Santander UK Group's head office and in each of its business units. There is also an increasing demand for the Santander UK Group to hire individuals with digital skills such as data scientist, engineering and designer skill sets. Such individuals are very sought after by all organisations, not just the banking industry, and thus the Santander UK Group's ability to attract and hire this talent will determine how quickly the bank is able to respond to technological change. If the Santander UK Group fails to staff its operations appropriately, or loses one or more of its key senior executives or other key employees and fails to replace them in a satisfactory and timely manner, it could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

In addition, the financial services industry has and may continue to experience more stringent regulation of employee compensation, which could have an adverse effect on the Santander UK Group's ability to hire or retain the most qualified employees. If the Santander UK Group fails or is unable to attract and appropriately develop, motivate and retain qualified professionals, it could have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

**Financial Reporting Risk**

**The Santander UK Group's financial statements are based in part on judgements and accounting estimates which, if inaccurate, could cause material misstatement of the Santander UK Group's future financial results and financial condition.**

The preparation of the consolidated financial statements requires management to make judgements and accounting estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting period. Management evaluates its judgements and accounting estimates, which are based on historical experience and on various other factors that are believed to be reasonable under the circumstances, on an ongoing basis. Actual amounts may differ from these accounting estimates under different assumptions or conditions. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

As explained in Note 1 to the Issuer's consolidated financial statements, no significant judgements have been made in the process of applying the Santander UK Group's accounting policies, other than those involving estimations about credit impairment losses, conduct remediation, pensions and goodwill impairment. Those accounting estimates, as well as the judgements inherent within them, are considered important to the portrayal of the financial results and financial condition because: (i) they are highly susceptible to change from period to period as assumptions are made to calculate the estimates; and (ii) any significant difference between the estimated amounts and actual amounts could have a material impact on the Santander UK Group's future, financial results and financial condition.

### **Changes in accounting standards could affect reported earnings**

The accounting standard setters and other regulatory bodies periodically change the financial accounting and reporting standards that govern the preparation of the Santander UK Group's consolidated financial statements. These changes can materially affect how the Santander UK Group records and reports its financial condition and operating results. In some cases, the Santander UK Group could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements. Any change in reported earnings as a result of the foregoing could have a material adverse effect on the Santander UK Group's future financial results and financial condition.

## **RISK FACTORS RELATING TO THE COVERED BONDS**

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

The LLP's ability to meet its obligations under the Covered Bond Guarantee will depend on (i) the realisable value of Selected Loans and their Related Security in the Portfolio, (ii) the amount of Revenue Receipts and Principal Receipts generated by the Portfolio and the timing thereof, (iii) amounts received from, and payable to, the Swap Providers and (iv) the receipt by it of credit balances and interest on credit balances on the GIC Account, if applicable, and the other LLP Accounts. The LLP will not have any other source of funds available to meet its obligations under the Covered Bond Guarantee.

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

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

Covered Bondholders should note that the Asset Coverage Test has been structured to ensure that the Adjusted Aggregate Loan Amount is equal to or greater than 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 being a shortfall (although there is no assurance of this) (see "*Summary of the Principal Documents – LLP Deed – 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.

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

Following service of a Notice to Pay (but prior to service of an LLP Acceleration Notice) the LLP will be obliged under the terms of the Covered Bond Guarantee 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. However, the LLP may (but is not obliged to) make payments in respect of the Final Redemption Amount on any Original Due for Payment Date up until the Extended Due for Payment Date.

Payments by the LLP under the Covered Bond Guarantee will be made subject to any applicable withholding or deduction and the LLP will not be obliged to pay any additional amounts as a consequence. 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 the applicable grace period in the Terms and Conditions, if (after service of a Notice to Pay) 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 any additional amounts payable by the Issuer under Condition 7 (*Taxation*)), although in such circumstances the LLP will not be obliged to gross up in respect of any withholding or deduction which may be required in respect of any payment. Following service of an LLP Acceleration Notice, 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 Covered Bondholders will receive amounts from the LLP on an accelerated basis.

#### **Differences in timings of obligations of the LLP and the Covered Bond Swap Provider under the Covered Bond Swaps**

With respect to each of the Non-Forward Starting Covered Bond Swaps, the LLP will, periodically, pay or provide for payment of an amount to each corresponding Covered Bond Swap Provider based on SONIA (or such other rate of interest agreed between the parties) for Sterling deposits for the agreed period. The Covered Bond Swap Provider may not be obliged to make corresponding swap payments to the LLP under a Non-Forward Starting Covered Bond Swap until amounts are due and payable by the LLP under the Intercompany Loan Agreement or Due for Payment under the Covered Bond Guarantee. With respect to each of the Forward Starting Covered Bond Swaps, the LLP will, periodically following service of a Notice to Pay on the LLP or service of an LLP Acceleration Notice, pay or provide for payment of an amount to each corresponding Covered Bond Swap Provider based on SONIA (or such other rate of interest agreed between the parties) for Sterling deposits for the agreed period. The Covered Bond Swap Provider may not be obliged to make corresponding swap payments to the LLP under a Forward Starting Covered Bond Swap until amounts are Due for Payment under the Covered Bond Guarantee. If a Covered Bond Swap Provider does not meet its payment obligations to the LLP under the relevant Covered Bond Swap Agreement or such Covered Bond Swap Provider does not make a termination payment that has become due from it to the LLP under the Covered Bond Swap Agreement, the LLP may have a larger shortfall in funds with which to make payments under the Intercompany Loan Agreement or under the Covered Bond Guarantee with respect to the Covered Bonds than if the Covered Bond Swap Provider's payment obligations coincided with LLP's payment obligations under the Covered Bond Swap. Hence, the difference in timing between the obligations of the LLP and the obligations of the Covered Bond Swap Providers under the Covered Bond Swaps may affect the LLP's ability to make payments under the outstanding Term Advances and, following service of a Notice to Pay on the LLP or service of an LLP Acceleration Notice, under the Covered Bond Guarantee with respect to the Covered Bonds. A Covered Bond Swap Provider may (depending on the rating of the Covered Bond Swap Provider) be required, pursuant to the terms of the relevant Covered Bond Swap Agreement, to post collateral with the LLP if the LLP's net exposure to the Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement exceeds a certain threshold level.

#### **Covered Bonds where denominations involve integral multiples: definitive Covered Bonds**

In relation to any issue of Covered Bonds which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Covered Bonds may be traded in amounts 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 its 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 which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

#### **Excess Proceeds received by the Bond Trustee**

Following service of an Issuer Acceleration Notice, the Bond Trustee may receive Excess Proceeds. The Excess Proceeds will be paid by the Bond Trustee on behalf of the Covered Bondholders of the relevant Series to the LLP for its own account, as soon as practicable, and will be held by the LLP in the GIC Account. 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 GIC Account. Any Excess Proceeds received by the Bond Trustee will discharge *pro tanto* the obligations of the Issuer in respect of the Covered Bonds, Receipts and Coupons (subject to restitution of the same if such Excess Proceeds shall be required to be repaid by the Bond Trustee or the LLP). However, the obligations of the LLP under the Covered Bond Guarantee are (subject only to service of a Notice to Pay or an LLP Acceleration Notice) unconditional and irrevocable and the receipt by the Bond Trustee of any Excess Proceeds will not reduce or discharge any such obligations.

By subscribing for the Covered Bonds, each of the Covered Bondholders will be deemed to have irrevocably directed the Bond Trustee to pay the Excess Proceeds to the LLP in the manner as described above.

#### **Series specific risks**

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**

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.

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

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

#### **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.

## **Fixed/Floating Rate Covered Bonds**

Covered Bonds may bear interest at a rate that converts from a fixed rate to a floating rate or *vice versa*. If the rate converts from a fixed rate to a floating rate, the spread on the Covered Bonds may be less favourable than the prevailing spreads on comparable Floating Rate Covered Bonds relating to the same reference rate. In addition, the new floating rate may at any time be lower than the interest rates on other Covered Bonds. If the rate converts from a floating rate to a fixed rate, the fixed rate may be lower than the then prevailing interest rates on the relevant Covered Bonds and could affect the market value of an investment in the relevant 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.

## **Extendable obligations under the Covered Bond Guarantee**

Following the failure by the Issuer to pay the Final Redemption Amount of a Series of Covered Bonds on their Final Maturity Date (in each case subject to the applicable grace period) and if, following service of a Notice to Pay on the LLP (by no later than the date which falls one Business Day prior to the Extension Determination Date), payment of the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of such Series of the Covered Bonds is not made in full by the Extension Determination Date, then the payment of such Guaranteed Amounts may be automatically deferred. This will occur (subject to no LLP Acceleration Notice having been served) if the Final Terms Document for a relevant Series of Covered Bonds (the "**relevant Series of Covered Bonds**") provides that such Covered Bonds are subject to an Extended Due for Payment Date.

To the extent that the LLP has received a Notice to Pay by the time specified above and has sufficient monies available under the Guarantee Priority of Payments to pay in part the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of the relevant Series of Covered Bonds, the LLP shall make partial payment of the Final Redemption Amount in accordance with the Guarantee Priority of Payments as described in Condition 6.1 (*Final redemption*). Payment of the unpaid portion of the Final Redemption Amount shall be deferred automatically until the applicable Extended Due for Payment Date. The Extended Due for Payment Date will fall one year after the Final Maturity Date. The LLP shall be entitled to make payments in respect of the Final Redemption Amount on any Original Due for Payment Date up until the Extended Due for Payment Date. Interest will continue to accrue and be payable on the unpaid portion of the Final Redemption Amount in accordance with Condition 4 (*Interest*) and the LLP will pay Guaranteed Amounts constituting Scheduled Interest on each Original Due for Payment Date and the Extended Due for Payment Date. In these circumstances, except where the LLP has failed to apply any amount 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 (subject to the 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 or to pay Guaranteed Amounts constituting Scheduled Interest on any Original Due for Payment Date or the Extended Due for Payment Date (in each case subject to the applicable grace period) shall constitute an LLP Event of Default.

## **Ratings of the Covered Bonds**

The ratings assigned to the Covered Bonds address, *inter alia*:

- the likelihood of full and timely payment to Covered Bondholders of all payments of interest on each Interest Payment Date;
- the probability of default and loss arising from such default;
- the likelihood of timely payment of principal in relation to the Hard Bullet Covered Bonds on the Final Maturity Date; and

- the likelihood of ultimate payment of principal in relation to Covered Bonds on (a) the Final Maturity Date thereof, or (b) if the Covered Bonds are subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee in accordance with the applicable Final Terms Document, the Extended Due for Payment Date thereof.

The expected ratings of the Covered Bonds are set out in the relevant Final Terms Document for each Series of 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. In addition, at any time a Rating Agency may revise its relevant rating methodology with the result that, amongst other things, a rating assigned to the Covered Bonds may, in the absence of any mitigating action being taken such as the modification of the Transaction Documents, be lowered. If any rating assigned to the Covered Bonds is lowered or withdrawn, the market value of the Covered Bonds may reduce and, in the case of Money Market Covered Bonds, such Money Market Covered Bonds may no longer be eligible for investment by money market funds. 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 credit rating may not reflect the potential impact of all of the risks related to the structure, market, additional factors discussed above and other factors that may affect the value of the Covered Bonds.

The Issuer is exposed to changes in the rating methodologies applied by rating agencies. Any adverse changes of such methodologies, including in relation to the counterparty risk assessment (the "**CR Assessment**") originally published by Moody's in respect of the Issuer on 5 June 2015, may materially and adversely affect the Issuer's operating results, financial conditions and prospects, the Issuer's willingness or ability to leave individual transactions outstanding and adversely affect the Issuer's capital market standing.

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

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by non-UK credit rating agencies, non-UK credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of non-UK credit ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the credit rating agency rating of the Covered Bonds changes for the purposes of the EU CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Covered Bonds may have a different regulatory treatment, which may impact the value of the Covered Bonds and their liquidity in the secondary market.

See further "*Ratings Modification Event*" below.



## **Ratings Modification Event**

Investors should be aware that, with respect to any Series of Covered Bonds issued on or after 25 June 2014, the Issuer may, without the consent or sanction of any holder of such Covered Bonds or any other Secured Creditor:

- (i) remove any one of the Rating Agencies (a "**Removed Rating Agency**") from rating such Series of Covered Bonds ("**Existing Rating Agency Removal**"); and/or
- (ii) subsequently reappoint any such Removed Rating Agency or substitute any such Removed Rating Agency for one of the remaining two Rating Agencies ("**Existing Rating Agency Reappointment**"),

(each of an Existing Rating Agency Removal and an Existing Rating Agency Reappointment a "**Ratings Modification Event**"), provided that, in each case and at all times, such Series of Covered Bonds continues to be rated by at least two Rating Agencies.

In the event of an Existing Rating Agency Removal, all ratings criteria, rating tests, rating triggers and any and all requirements specified by and/or relating to the removed Rating Agency shall cease to apply as they relate to such Series of Covered Bonds and the Issuer may make such consequential modifications to the terms and conditions applying to the relevant Covered Bonds, the related Receipts and/or Coupons or any Transaction Document as are necessary to implement the removal of the relevant Rating Agency and all ratings criteria, rating tests, rating triggers and any and all requirements specified by and/or relating to such removed Rating Agency.

In the event of an Existing Rating Agency Reappointment, all then current relevant ratings criteria, rating tests, rating triggers and any and all relevant requirements specified by and/or relating to the reappointed Rating Agency shall apply and the Issuer may make such consequential modifications to the terms and conditions applying to the relevant Covered Bonds, the related Receipts and/or Coupons or any Transaction Document as are necessary to implement the reappointment of the relevant Rating Agency and all then current relevant ratings criteria, rating tests, rating triggers and any and all relevant requirements specified by and/or relating to such reappointed Rating Agency.

Any modifications to the terms and conditions of any Series of Covered Bonds issued on or after 25 June 2014 and/or any Transaction Document to implement a Ratings Modification Event will not require the consent or sanction of any holder of any such Series of Covered Bonds or any other Secured Creditor, to the extent that (for the avoidance of doubt) such modifications solely relate to the relevant Series of Covered Bonds.

See further "*Risks Relating to Structural and Documentation Changes – The Bond Trustee and the Security Trustee may agree to modifications to the Transaction Documents without, respectively, the Covered Bondholders' or Secured Creditors' prior consent*" below.

## **Rating Agency Confirmation in respect of Covered Bonds**

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

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

Agencies to the Issuer, the LLP, the Bond Trustee, the Security Trustee, the Secured Creditors (including the Covered Bondholders) or any other person or create any legal relations between the Rating Agencies and the Issuer, the LLP, the Bond Trustee, the Security Trustee, the Secured Creditors (including the Covered Bondholders) or any other person whether by way of contract or otherwise.

Any such Rating Agency Confirmation may or may not be given at the sole discretion of each Rating Agency. It should be noted that, depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that a Rating Agency cannot provide a Rating Agency Confirmation in the time available or at all, and the Rating Agency will not be responsible for the consequences thereof. Such confirmation, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time, and in the context of cumulative changes to the transaction of which the securities form part since the issuance closing date. A Rating Agency Confirmation represents only a restatement of the opinions given, and is given on the basis that it will not be construed as advice for the benefit of any parties to the transaction.

If any Rating Agency then rating the Covered Bonds either: (i) does not respond to a request to provide a Rating Agency Confirmation within seven days after such request is made; or (ii) provides a waiver or acknowledgement indicating its decision not to review or otherwise declining to review the matter for which the Rating Agency Confirmation is sought, the requirement for the Rating Agency Confirmation from the relevant Rating Agency with respect to such matter will be deemed waived. Therefore, it is possible that an amendment may be made without having obtained a Rating Agency Confirmation from the Rating Agencies then rating the Covered Bonds.

#### **Issuer is 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 amongst themselves and equally with their respective other direct, unsecured, unconditional and unsubordinated obligations (save for any obligations required to be preferred by law).

The LLP has no obligation to pay the Guaranteed Amounts payable under the Covered Bond Guarantee until service of a Notice to Pay following service of an Issuer Acceleration Notice or an LLP Acceleration Notice following the occurrence of an LLP Event of Default.

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.

Following the occurrence of an LLP Event of Default, the Bond Trustee may accelerate the obligations of the LLP under the Covered Bond Guarantee by serving an LLP Acceleration Notice. Service of an LLP Acceleration Notice will also accelerate the obligations of the Issuer under the Covered Bonds (if they have not already become due and payable following service of an Issuer Acceleration Notice). The Security Trustee would then become entitled to enforce the Security.

#### **Obligations under the Covered Bonds**

The Covered Bonds will not represent an obligation or be the responsibility 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**

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 rank *pari passu* with each other in all respects and will share in the security granted by the LLP under the Deed of Charge.

Following the occurrence of an Issuer Event of Default and service by the Bond Trustee of an Issuer Acceleration Notice, the Covered Bonds of all outstanding Series will accelerate against the Issuer 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).

Following the occurrence of an LLP Event of Default and service by the Bond Trustee of an LLP Acceleration Notice, the Covered Bonds of all Series outstanding will accelerate against the Issuer (if not already accelerated following service of an Issuer Acceleration Notice) and the obligations of the LLP under the Covered Bond Guarantee will accelerate.

### **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*", the beneficial ownership of the Covered Bonds will be recorded in book-entry form only with Euroclear and Clearstream, Luxembourg and/or DTC. The fact that the Covered Bonds are not represented in physical form could, among other things:

- result in payment delays on the Covered Bonds because distributions on the Covered Bonds will be sent by or on behalf of the Issuer to Euroclear, Clearstream, Luxembourg or DTC instead of directly to Covered Bondholders;
- make it difficult for Covered Bondholders to pledge the Covered Bonds as security if Covered Bonds in physical form are required or necessary for such purposes; and
- hinder the ability of Covered Bondholders to resell the Covered Bonds because some investors may be unwilling to buy Covered Bonds that are not in physical form.

### **Certain decisions of Covered Bondholders taken at Programme level**

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

### **Further Issues**

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

- the Issuer will be obliged to apply the proceeds of any issue of Covered Bonds (or the Sterling Equivalent thereof) to make a Term Advance to the LLP. The LLP will use the proceeds of such Term Advance (after exchanging the same into Sterling if necessary under the applicable Non- Forward Starting Covered Bond Swap):
  - (a) to acquire Loans and their Related Security from the Seller;
  - (b) to invest in Substitution Assets in an amount not exceeding the prescribed limit;
  - (c) (subject to compliance with the Asset Coverage Test) to make a Capital Distribution to a Member;
  - (d) if an existing Series, or part of an existing Series, of Covered Bonds is being refinanced (by such issue), to repay the Term Advance(s) corresponding to the Covered Bonds being refinanced; and/or
  - (e) to make a deposit in the GIC Account;
- 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.

**The yield to maturity of the Covered Bonds may be adversely affected by redemptions by the Issuer**

The yield to maturity of each class of Covered Bonds will depend mostly on: (i) the amount and timing of the repayment of principal on the Covered Bonds, and (ii) the price paid by the Covered Bondholders of each class. The yield to maturity of the Covered Bonds may be adversely affected by a higher or lower than anticipated rate of redemption on the Covered Bonds.

**RISKS RELATING TO THE COVER POOL**

**Limited description of the Portfolio**

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

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

**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 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 (see "*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.

**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 has not been revoked), 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 "*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 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 Document) the Extended Due for Payment Date in respect of such Covered Bonds. In the six months prior to, as applicable, the Final Maturity Date or Extended Due for Payment Date, the LLP is obliged to sell the Selected Loans and their Related Security for the best price reasonably available notwithstanding that such price may be less than the Adjusted Required Redemption Amount.

**Set-off risks in relation to some types of Loans may adversely affect the value of the Portfolio or any part thereof**

As described in the immediately preceding risk factor, the sale by the Seller to the LLP of English Loans and Northern Irish Loans is 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, the Northern Irish 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 existing prior to notification to the Borrowers of the assignment or assignation (as appropriate) of the Loans. Some of the Loans in the Portfolio may have increased risks of set-off, because the Seller is required to make payments under them to the Borrowers. For instance, set-off rights may occur 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
- the Seller fails to pay to a Borrower any Delayed Cashback or Reward Cashback which the Seller had agreed to pay to that Borrower after completion of the relevant Loan.

New products offered by the Seller in the future may have similar characteristics involving payments due from the Seller to the Borrower.

If the Seller fails to advance a Flexible Loan Drawing in accordance with the relevant Loan or fails to pay any Delayed Cashback or Reward Cashback, then the relevant Borrower may set off any damages claim (or exercise analogous rights in Scotland or Northern Ireland) 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 in respect of a Flexible Loan Drawing will, in many cases, be the cost to the Borrower of finding an alternative source of funds (although, in the case of a Flexible Loan Drawing, a Delayed Cashback or a Reward Cashback 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.

In respect of a claim relating to a Delayed Cashback or Reward Cashback, the claim is likely to be in an amount equal to the amount due under the Delayed Cashback or Reward Cashback together with interest, expenses and consequential losses (if any).

A Borrower may also attempt to set off an amount greater than the amount of his or her damages claim (or exercise analogous rights in Scotland or Northern Ireland) 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.

Further, there may be circumstances in which:

- a Borrower may seek to argue that amounts comprised in the current balance of Loans as a consequence of Flexible Loan Drawings are unenforceable by virtue of non-compliance with the Consumer Credit Act 1974 (as amended, the "CCA"); or
- certain Flexible Loan Drawings may rank behind security created by a Borrower after the date upon which the Borrower entered into its Mortgage with the Seller.

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 seeks to take account of these set-off risks, including the set-off risk relating to any Flexible Loans and any Delayed Cashbacks or Reward Cashbacks payable by the Seller in relation to the Loans in the Portfolio (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 Assignment Date of that Loan, then the Seller will be required to remedy the breach within 20 London Business Days (or such longer period as the Security Trustee may direct) of receipt by it of a notice from the LLP requiring the Seller to remedy the breach.

If the Seller fails to remedy the breach of a Representation and Warranty within such 20 London Business Day period (or any longer period permitted), then the Seller will be required to repurchase on or before the next following Calculation 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 Loan secured or intended to be secured by that Related Security or any part of it at their Outstanding Principal Balance and all Arrears of Interest, Accrued Interest and amounts deducted from amounts outstanding under such Loan or Loans in accordance with the terms of the Mortgage Sale Agreement as of the date of repurchase.

There can be no assurance that the Seller 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 Outstanding Principal Balance of those Loans will be excluded from the calculation of the Asset Coverage Test. There is no further recourse to the Seller in respect of a breach of a Representation or Warranty.

#### **Maintenance of Portfolio**

**Asset Coverage Test:** The Asset Coverage Test is met if the Adjusted Aggregate Loan Amount is equal to or exceeds the Sterling Equivalent of the aggregate Principal Amount Outstanding under the Covered Bonds from time to time. Pursuant to the terms of the LLP Deed, the Seller will agree to use all reasonable endeavours to transfer Loans and their Related Security to the LLP or make a Cash Capital Contribution in order to ensure that the Portfolio is in compliance with the Asset Coverage Test. In consideration of the transfer of Loans and their Related Security, the Seller will receive a combination of (a) a cash payment made by the LLP, (b) being treated as having made a Capital Contribution to the LLP (in an amount up to the difference between the Outstanding Principal Balance of the Loans sold by the Seller to the LLP as at the relevant Assignment Date and the cash payment (if any) made by the LLP for such Loans) and/or (c) Deferred Consideration (including any Postponed Deferred Consideration).

Alternatively, the Issuer (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 on any Calculation Date and is not cured by the following Calculation Date, the Bond Trustee will serve an Asset Coverage Test Breach Notice on the LLP which (unless and until it is revoked) will result, *inter alia*, in the sale of Selected Loans, see further "*Summary of the Principal Documents – LLP Deed – 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 has been served and not revoked on or before the third Calculation Date after service of such Asset Coverage Test Breach Notice, then an Issuer Event of Default shall occur and the Bond Trustee shall be entitled (and, in certain circumstances may be required) to serve an Issuer Acceleration Notice on the Issuer. Following service of an Issuer Acceleration Notice, the Bond Trustee must serve a Notice to Pay on the LLP. There is no specific recourse by the LLP to the Seller in respect of the failure to transfer Loans and their Related Security or Substitution Assets to the LLP nor is there any specific recourse to the Issuer if it does not make Cash Capital Contributions to the LLP.

**Amortisation Test:** Pursuant to the LLP Deed, the LLP and the Issuer (in its capacity as a Member of the LLP) must ensure, on each Calculation Date following service of a Notice to Pay 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, that 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 so 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 and, if applicable, 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.

Prior to service of a Notice to Pay or an LLP Acceleration Notice, 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 preceding each Annual Submission Date and more frequently in certain circumstances. Following service of a Notice to Pay (but prior to service of an LLP Acceleration Notice), the Asset Monitor will be required to test the calculations performed by the Cash Manager in respect of the Amortisation Test. See further "*Summary of the Principal Documents – Asset Monitor Agreement*".

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

**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**

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:

- no representations or warranties being given by the LLP or (unless otherwise agreed with the Seller) the Seller;
- default by Borrowers in payment of amounts due on their Loans;
- the Loans of New Sellers being included in the Portfolio;
- changes to the lending criteria of the Seller or any New Seller;
- the LLP not having legal title to the Loans in the Portfolio;
- set-off risks in relation to some types of Loans in the Portfolio;
- limited recourse to the Seller or any New Seller;

- possible regulatory changes by the Competition and Markets Authority (the "CMA"), the FCA and other regulatory authorities;
- decisions of the FOS, which could lead to certain terms of the Loans being varied;
- regulations in the U.K. that could lead to some of the Loans or their Related Security being unenforceable, cancellable or subject to set-off, or some of their terms being unenforceable; and
- the impact of the Pensions Act 2004.

Each of these factors is considered in more detail below. However, it should be noted that the Asset Coverage Test, the Amortisation Test and the Eligibility Criteria are intended to ensure that there will be an adequate amount of Loans in the Portfolio and monies standing to the credit of the GIC Account to enable the LLP to repay the Covered Bonds following service on the LLP of a Notice to Pay or an LLP Acceleration Notice and accordingly it is expected (but there is no assurance) that Selected Loans and their Related Security could be realised for sufficient value 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, service of an Asset Coverage Test Breach Notice (which is not revoked) or 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 in favour of the Seller pursuant to the terms of the LLP Deed (see "*Summary of the Principal Documents – LLP Deed – Method of Sale of Selected Loans*"). In respect of any sale of Selected Loans and their Related Security to third parties, however, the LLP will not be permitted to give representations and warranties or indemnities in respect of those Selected Loans and their Related Security (unless expressly permitted to do so by the Security Trustee). There is no assurance that the Seller would give any representations and warranties or indemnities in respect of the Selected Loans and their Related Security. Any Representations and Warranties previously given by the Seller in respect of the Loans in the Portfolio may not have value for a third party purchaser if the Seller is then insolvent. Accordingly, there is a risk that the realisable value of the Selected Loans and their Related Security could be adversely affected by the lack of representations and warranties or indemnities 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 under the Loans in the Portfolio. 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, such as changes in the national or international economic climate, regional economic (due to local, national and/or global macroeconomic factors) and weaker 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 or widespread health crises or the fear of such crises (including, but not limited to, coronavirus/COVID-19 (or any strain of the foregoing), or other epidemic and/or pandemic diseases) 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, governmental action or inaction in respect of, or responses to, any widespread health crises or such potential crises (such as those mentioned previously), whether in the United Kingdom or in any other jurisdiction, may lead to a deterioration of economic conditions both globally and also within the United Kingdom. Given the unpredictable effect such factors may have on the local, national or global economy, no assurance can be given as to the impact of any of the matters described in this paragraph and, in particular, no assurance can be given that such matters would not adversely affect the ability of the Issuer to satisfy its obligations under the Covered Bonds.



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.

On 20 March 2020 the FCA published temporary guidance for, inter alia, mortgage lenders and administrators entitled '*Mortgages and coronavirus: our guidance for firms*', in connection with the ongoing outbreak of coronavirus/COVID-19 in the U.K. which was subsequently updated on 2 June 2020, and finalised on 17 November 2020, the current version of which is entitled '*Mortgages and coronavirus Payment Deferral Guidance*' (together, the "**FCA COVID-19 Payment Deferral Guidance**").

Amongst other things, this guidance provides that U.K. mortgage lenders/administrators should, where a customer is experiencing or reasonably expects to experience payment difficulties as a result of circumstances relating to coronavirus/COVID-19, and wishes to receive a payment deferral, grant a customer a payment deferral (as at the date of this Prospectus, limited up to a six month period, with such deferrals available in certain circumstances for payments up to 31 July 2021) (a "**COVID-19 Payment Deferral Loan**"), unless it can demonstrate it is reasonable and in the customer's best interest to do otherwise. Customers that have not yet had a payment deferral and who experience financial difficulty had until 31 March 2021 to request one.

If, during an interaction between the mortgage lender/administrator and the customer, the customer provides information suggesting that the customer may be experiencing or could reasonably expect to experience payment difficulties as a result of circumstances relating to coronavirus/COVID-19, the mortgage lender/administrator should ask whether the customer would be interested in a payment deferral. No additional fee or charge (other than accrued interest on the sum temporarily unpaid) may be levied as a result of the payment deferral. At the end of a payment deferral, firms should contact their customers to find out if they can resume payments and if so, agree a plan on how the missed payments will be repaid. For those who continue to experience payment difficulties at the end of a payment deferral, the FCA COVID-19 Payment Deferral Guidance provides that firms should continue to offer support.

A mortgage lender/administrator may decide to put in place an option other than a 3 month payment deferral, if it is appropriate to do so in the individual circumstances of the case and it is in the best interests of the customer. This could include a payment deferral of fewer than 3 months, if the customer requests a shorter payment deferral. The FCA COVID-19 Payment Deferral Guidance does not prevent mortgage lenders/administrators from providing more favourable forms of assistance to the customer, such as reducing or waiving interest.

Investors should note in this regard, the FCA COVID-19 Payment Deferral Guidance and the Tailored Support Guidance described in the section entitled "*Further Information relating to the Regulation of Mortgages in the UK – Mortgages and coronavirus: FCA guidance for firms*". A COVID-19 Payment Deferral Loan is any Loan which is subject to a payment deferral or payment holiday as a result of the direct or indirect impact of the COVID-19 pandemic following a successful application by the customer. COVID-19 Payment Deferral Loans will not be classified as being "in arrears" unless arrears have accumulated outside of the COVID-19 Payment Deferral. Whether or not a COVID-19 Payment Deferral will be granted is subject to the prevailing policies and procedures of the Seller and the Servicer which may be amended from time to time to reflect the FCA COVID-19 Payment Deferral Guidance, applicable law, regulation and other regulatory guidance. Further, the FCA in the FCA COVID-19 Payment Deferral Guidance requires the Seller and Servicer to act in a manner consistent with the FCA COVID-19 Payment Deferral Guidance. The FCA makes it clear in the FCA COVID-19 Payment Deferral Guidance that it expects lenders of both owner-occupied and buy to let mortgage loans to act in a manner consistent with the guidance. In accordance with the FCA COVID-19 Payment Deferral Guidance, any COVID-19 Payment Deferral Loan will not, as a result of the COVID-19 Payment Deferral, be considered in arrears (or further in arrears) or be subject to a debt restructuring process.

On 13 January 2021, the FCA published updated draft Tailored Support Guidance setting out the FCA's proposed approach to repossession relating to mortgage borrowers after 31 January 2021. The FCA published its finalised guidance on 27 January 2021, which extended the prohibition on repossession (except in exceptional circumstances) to 31 March 2021. Section 7 of the Tailored Support Guidance was further updated on 25 March 2021 and such update came into effect from 29 March 2021, which provided that from 1 April 2021, firms may enforce repossessions provided that they act in accordance with the Tailored Support Guidance, MCOB 13 and relevant regulatory and legislative requirements.

On 1 May 2020, the FCA published a letter to mortgage lenders and administrators asking them, if they have customers who took out mortgages with higher risk characteristics before the financial crisis, to review the interest rates charged to such customers and consider if they are consistent with the obligation to treat customers fairly in the light of Covid-19.

The FCA makes clear in the FCA COVID-19 Payment Deferral Guidance that it expects lenders of both owner-occupied and buy to let mortgage loans to act in a manner consistent with these requirements and that the guidance applies in respect of a customer regardless of whether they are in a payment shortfall.

The total number of Borrowers who may seek to take up these opportunities, and therefore the impact of the FCA COVID-19 Payment Deferral Guidance on the performance of the Loans, is not known as at the date of this Prospectus. The FCA, or other U.K. government or regulatory bodies, may take further steps in response to the coronavirus/COVID-19 outbreak in the U.K. which may impact the performance of the Loans.

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

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 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 relevant Transaction Documents (more fully described under "*Summary of the Principal Documents – Mortgage Sale Agreement – New Sellers*") are met. **Provided that** those conditions are met, the consent of Covered Bondholders to the accession of any New Seller to the relevant Transaction Documents will not need to 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 for Loans originated by the Seller. If the lending criteria differ in a way that affects the creditworthiness of the Loans in the Portfolio, that may lead to increased defaults by Borrowers and may affect the realisable value of the Portfolio or any part thereof or the ability of the LLP to make payments under the Covered Bond Guarantee. As noted above, however, Defaulted Loans in the Portfolio will be given a reduced weighting for the purposes of the calculation of the Asset Coverage Test 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 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 applicant and credit history. In the event of the assignment or assignation of any Loans and their Related Security to the LLP, the Seller will warrant only that such Loans and Related Security were originated in accordance with its Lending Criteria applicable at the time of origination. The Seller retains the right to revise its Lending Criteria from time to time but would do so only to the extent that such a change would be acceptable to a Reasonable, Prudent Mortgage Lender. 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 Assignment Date**

The sale by the Seller to the LLP of English Loans and their Related Security and Northern Irish Loans and their Related Security has taken or will take effect by way of an equitable assignment. The sale by the Seller to the LLP of Scottish Loans and their Related Security has been or will be given effect by way of Scottish Declarations of Trust under which the beneficial interest in the Scottish Loans and their Related Security has been or will be transferred to the LLP. As a result, legal title to the English Loans, Northern Irish Loans and Scottish Loans, together with, in each case, their Related Security will remain with the Seller. The LLP,

however, will have the right to demand that the Seller give it legal title to the Loans and the Related Security in the circumstances described in "*Summary of the Principal Documents – Mortgage Sale Agreement – Transfer of Title to the Loans to the LLP*" and until such right arises the LLP will not give notice of the sale of the Loans and their Related Security to any Borrower or apply to the Land Registry or the Central Land Charges Registry (in relation to the English Loans) or the Land Registry of Northern Ireland or the Registry of Deeds (in relation to the Northern Irish Loans) to register or record its equitable interest in the English Loans and the Northern Irish 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 perfected its interest in the 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 assigned to the LLP, to another person and that person acted in good faith and did not have notice of the interests of the LLP in the Loan and its Related Security, then such person might obtain good title to the Loan and its Related Security, free from the interests of the LLP. If this occurred, then the LLP would not have good title to the affected Loan and its Related Security, and it would not be entitled to payments by a Borrower in respect of that Loan. However, the risk of third party claims obtaining priority to the interests of the LLP would be likely to be limited to circumstances arising from a breach by the Seller of its contractual obligations or fraud, negligence or mistake on the part of the Seller or the LLP or their respective personnel or agents;
- *second*, the rights of the LLP may be subject to the rights of the Borrowers against the Seller, such as rights of set-off, which occur in relation to transactions or deposits made between Borrowers and the Seller, and the rights of Borrowers to redeem their mortgages by repaying the Loans directly to the Seller; and
- *third*, unless the LLP has perfected the assignment or assignation of the Loans (which it is only entitled to do in certain circumstances), the LLP would not be able to enforce any Borrower's obligations under a Loan or Mortgage itself but would have to join the Seller as a party to any legal proceedings.

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

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

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, if reasonably required to do so by the LLP or the Security Trustee, participate or join in any legal proceedings to the extent necessary to protect, preserve and enforce the Seller's, the LLP's or the Security Trustee's title to or interest in any Loan or its Related Security, and take such other steps as may be reasonably required by the LLP or the Security Trustee in relation to any legal proceedings in respect of the Loans and their Related Security.

#### **Realisation of Charged Property following the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice**

If an LLP Event of Default occurs and an LLP Acceleration Notice is served on the LLP, then the Security Trustee will be entitled to enforce the Security created under and pursuant to the Deed of Charge and the proceeds from the realisation of the Charged Property will be applied by the Security Trustee towards

payment of all secured obligations in accordance with the Post-Enforcement Priority of Payments described in "Cashflows".

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

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

### **Loans are subject to certain legal and regulatory risks**

Certain regulatory risks exist in relation to the Loans, including in relation to the legal and regulatory considerations relating to the Loans and their Related Security, changes in law or regulation, the possibility of complaints by Borrowers in relation to terms of the Loans and in relation to the policies and procedures of the Seller. If any of these risks materialise they could have an adverse effect on the Seller, the Issuer or the LLP and could adversely affect the ability of the Issuer to make payments on the Covered Bonds or, if applicable, the LLP's ability to make payment on the Covered Bond Guarantee. Further detail on certain considerations in relation to the regulation of mortgages in the U.K. is set out in the section headed "*Further Information relating to the Regulation of Mortgages in the U.K.*" and certain specific risks are set out below.

*Regulated Mortgage Contracts.* A borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention by an authorised person of an FCA or PRA rule, and may set off the amount of the claim against the amount owing by the borrower under the loan or any other loan that the borrower has taken with that authorised person (or exercise analogous rights in Scotland). Any such set off in respect of the Loans may adversely affect the LLP's ability to make payments on the Covered Bond Guarantee. Further detail is included in the section headed "*Further Information relating to the Regulation of Mortgages in the U.K – Regulated Mortgage Contracts*".

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

*Guidance Issued by the Regulators.* Guidance issued by the regulators has changed over time and it is possible that it may change in the future. No assurance can be given that any changes in legislation, guidance or case law as it relates to the Portfolio will not have a material adverse effect on the Seller, the LLP and/or the Servicer and their respective businesses and operations. There can be no assurance that any such changes (including changes in regulators' responsibilities) will not affect the Loans. Any such changes (including changes in regulators' responsibilities) may also adversely affect the Issuer's operating results, financial condition and prospects. Further detail is included in the section headed "*Further Information relating to the Regulation of Mortgages in the U.K – Regulation of residential secured lending (other than Regulated Mortgage Contracts)*".

*Unfair Relationships.* If a court determined that there was an unfair relationship between the Santander UK Group and one or more 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. Further detail is included in the section headed "*Further Information relating to the Regulation of Mortgages in the U.K – Unfair Relationships*".

*Distance Marketing.* The DM Regulations allow, in certain specified circumstances, a borrower to cancel a credit agreement it has entered into with a lender without provision of certain required information. If a significant proportion of the Loans are treated as being cancellable under the DM Regulations, there could be an adverse effect on the LLP's receipts in respect of the Loans affecting the LLP's ability to make

payments on the Covered Bond Guarantee. Further detail is included in the section headed "*Further Information relating to the Regulation of Mortgages in the UK – Distance Marketing*" below.

*UTCCR and CRA.* The UTCCR and CRA provide that a consumer may, in certain circumstances, challenge a term in an agreement on the basis that it is unfair. The broad and general wording of the UTCCR and CRA makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any Loans which have been made to Borrowers covered by the UTCCR and/or the CRA may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans. If any term of the Loans is found to be unfair for the purpose of the UTCCR (and therefore not binding on the consumer), this may reduce the amounts available to meet the payments due in respect of the Covered Bond Guarantee (including by way of non-recovery of a Loan by the Seller or the LLP; a claim made by the Borrower; or the exercise by the Borrower of a right of set-off).

If any term of the Loans entered into on or after 1 October 2015 is found to be unfair for the purpose of the CRA, this may reduce the amounts available to meet the payments due in respect of the Covered Bond Guarantee. No assurance can be given that any changes in legislation, guidance or case law on unfair terms will not have a material adverse effect on the Seller, the LLP and/or the Servicer and their respective businesses and operations. There can be no assurance that any such changes (including changes in regulators' responsibilities) will not affect the Loans. Further detail in relation to both the UTCCR and the CRA is included in the section headed "*Further Information relating to the Regulation of Mortgages in the U.K – Unfair Terms in Consumer Contracts Regulations 1994 and 1999 and Consumer Rights Act 2015*".

*Consumer Protection from Unfair Trading Regulations 2008:* the CPUTR prohibits certain practices which are deemed unfair within the terms of the CPUTR. Breach of the CPUTR may lead to liability for misrepresentation or breach of contract in relation to the underlying credit agreements, which may result in irrecoverable losses on amounts to which such agreements apply and which may adversely affect the LLP's ability to make payments on the Covered Bond Guarantee. Further detail in relation to the CPUTR is included in the section headed "*Further information relating to the Regulation of Mortgages in the UK – Consumer Protection from Unfair Trading Regulations*" below.

*Financial Ombudsman Service:* Under the FSMA, the Financial Ombudsman Service (the Ombudsman) is required to make decisions on, among other things, complaints relating to activities and transactions under its jurisdiction. 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. Given the way the Ombudsman makes its decisions, it is not possible to predict how any future decision of the Ombudsman would affect the LLP's ability to make payments on the Covered Bond Guarantee. Further detail is included in the section headed "*Further information relating to the Regulation of Mortgages in the UK – Financial Ombudsman Service*" below.

*FCA Consultation on mortgages:* Removing barriers to intra-group switching and helping borrowers with maturing interest-only and part-and-part mortgages. In October 2020, the FCA published the policy statement PS20/11 entitled 'Mortgages: Removing barriers to intra-group switching and helping borrowers with maturing interest-only and part-and-part mortgages'. This policy statement contains guidance which applies to mortgage lenders and mortgage administrators in relation to the exceptional circumstances arising out of COVID-19 and its impact on the financial situation of borrowers with interest-only and part-and-part mortgages (the "**October Guidance**"). The October Guidance came into force on 31 October 2020 (and was updated on 17 November 2020) and expires on 31 October 2021 and applies in respect of interest-only and part-and-part mortgages with maturity dates between 20 March 2020 and 31 October 2021 where the capital repayment is still outstanding. The October Guidance only applies to Regulated Mortgage Contracts (but does not apply to bridging loans). The October Guidance provides that where a borrower has a relevant mortgage and is up-to-date with their mortgage payments (which includes borrowers which have made use of a payment deferral granted under the FCA COVID-19 Payment Deferral Guidance both before and after the relevant loan's maturity date), firms should allow that borrower the flexibility to choose to delay the repayment of any capital on their mortgage until no later than 31 October 2021 provided the borrower continues to make interest payments (except where the borrower does not make interest payments in accordance with a payment deferral agreed under the FCA COVID-19 Payment Deferral Guidance). If a significant number of relevant borrowers take the opportunity to delay repayment this would affect redemption rates which in turn could affect the LLP's ability to make payments on the Covered Bond Guarantee.

Investors should note the FCA COVID-19 Payment Deferral Guidance and Tailored Support Guidance described in the section entitled "*Further Information relating to the Regulation of Mortgages in the U.K – Protocols on repossessions, protection of tenants in repossessions*" and "*Further Information relating to the Regulation of Mortgages in the U.K. - Mortgages and coronavirus: FCA guidance for firms*" below and that mortgage lenders/administrators should not commence or continue repossession proceedings against customers before 1 April 2021, irrespective of the stage that repossession proceedings have reached and to any step taken in pursuit of repossession, and from 1 April 2021, firms may enforce repossessions provided that they act in accordance with the Tailored Support Guidance, MCOB 13 and relevant regulatory and legislative requirements.

*Mortgage repossessions.* The protocols for mortgage repossession and the Mortgage Repossessions (Protection of Tenants etc) Act 2010 may have adverse effects in relation to the ability of the Seller to repossess properties in markets in England and Wales 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 adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee. Likewise delays could be encountered in connection with enforcement of mortgages in England and Wales as a result of the implementation of the Breathing Space Regulations, pursuant to which the Seller will not charge interest in mortgage arrears nor apply fees and charges nor undertake any enforcement activity from the date of commencement of any moratorium prescribed by such regulations and whilst such moratorium is in place for a mortgage customer. Further detail is included in the section headed "*Further Information relating to the Regulation of Mortgages in the U.K – Protocols on repossessions, protection of tenants in repossessions*" and "*Further Information relating to the Regulation of Mortgages in the U.K – Breathing Space Regulations*".

**Representations and Warranties given by the Seller.** The Seller has given warranties to the LLP in the Mortgage Sale Agreement that, among other things, each of their respective Loans and their Related Security is enforceable (subject to exceptions). If a Loan or its Related Security does not comply with these warranties, and if the default cannot be or is not cured within the time periods specified in the Mortgage Sale Agreement, then the Seller will, upon receipt of notice from the LLP, be solely liable to repurchase the relevant Loan(s) and their Related Security from the LLP in accordance with the relevant Mortgage Sale Agreement. Any failure by the Seller to repurchase the relevant Loan(s) could have an adverse effect of the quality of the Portfolio which in turn could affect the ability of the Covered Bondholders to receive all amounts due on the Covered Bonds. Further detail is included in the section headed "*Further Information relating to the Regulation of Mortgages in the U.K – Regulation of residential secured lending (other than Regulated Mortgage Contracts)*".

### **The Loans are affected by credit, liquidity and interest rate risk**

Over the last few years and as a result of, among other things, fluctuations in the Bank of England base rate, there has been a cycle of rising and falling mortgage interest rates, resulting in borrowers with a mortgage loan subject to a variable rate of interest or with a mortgage loan for which the related interest rate adjusts following an initial fixed rate or low introductory rate, as applicable, being exposed to increased monthly payments as and when the related mortgage interest rate adjusts upward (or, in the case of a mortgage loan with an initial fixed rate or low introductory rate, at the end of the relevant fixed or introductory period). Future increases in borrowers' required monthly payments, which (in the case of a mortgage loan with an initial fixed rate or low introductory rate) may be compounded by any further increase in the related mortgage interest rate during the relevant fixed or introductory period, may ultimately result in higher delinquency rates and losses in the future.

Borrowers seeking to avoid these increased monthly payments by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates. The recent declines in housing prices may also leave borrowers with insufficient equity in their homes to permit them to refinance. These events, alone or in combination, may contribute to higher delinquency rates and losses.

## **RISKS RELATING TO REGULATION OF THE COVERED BONDS**

### **U.K. regulated covered bond regime**

On 1 June 2016, the Issuer was admitted to the register of issuers and the Programme, and the Covered Bonds issued previously under the Programme, were admitted to, and all Covered Bonds issued since that

date under the Programme have been admitted to, the register of regulated covered bonds pursuant to Regulation 14 of the RCB Regulations.

As a result of admission, in particular following the service of an LLP Acceleration Notice and/or realisation of the Security and/or the commencement of winding-up proceedings in respect of the LLP, all funds available to the LLP will be paid and applied in accordance with the Post-Enforcement Priority of Payments (subject to those matters described in "*Legal and Regulatory Risks - Expenses of insolvency officeholders*" below). In addition, the RCB Regulations and the RCB Sourcebook impose certain ongoing obligations and liabilities on both the Issuer and the LLP. In this regard, the LLP is required to (amongst other things), following the insolvency of the Issuer, make arrangements for the maintenance and administration of the Asset Pool such that certain asset capability and quality related requirements are met.

The FCA may take certain actions in respect of the Issuer and/or the LLP under the RCB Regulations. Such actions include directing the winding-up of the LLP, removing the Issuer from the register of issuers (however, 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, as the body which regulates the financial services industry in the U.K., the FCA may take certain actions in respect of issuers using its general powers under the U.K. regulatory regime (including restricting a seller's ability to transfer further assets to the asset pool). There is a risk that any such enforcement actions by the FCA may reduce the amounts available to pay Covered Bondholders. With respect to the risks referred to above, see also "*Cashflows*" and "*Description of the U.K. Regulated Covered Bond Regime*" for further details.

#### **The regulation and reform of "benchmarks" may adversely affect the value of the Covered Bonds linked to such "benchmarks"**

Indices which are deemed to be "benchmarks" are the subject of recent national, international and other regulatory guidance and reform. These reforms may cause such benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Covered Bonds linked to such a "benchmark".

#### *IOSCO*

Key international regulatory initiatives relating to the reform of benchmarks include IOSCO's Principles for Financial Benchmarks (the "**IOSCO Principles**"), the EU Benchmarks Regulation and the UK Benchmarks Regulation. The IOSCO Principles aim to create an overarching framework of principles for benchmarks to be used in financial markets, specifically covering (among other things) governance and accountability as well as the quality, integrity and transparency of benchmark design, determination and methodologies. Subsequent implementation reviews have found that widespread efforts are being made to implement the IOSCO Benchmark Principles by the majority of administrators surveyed. However, the reviews also note that, as the "benchmarks industry" is in a state of flux, IOSCO may need to take further steps in the future – although it is not yet clear what these steps might be.

The EU Benchmarks Regulation was published in the Official Journal of the EU on 29 June 2016 and entered into force on 1 January 2018. The EU Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. In particular, the EU Benchmarks Regulation, among other things: (i) requires benchmark administrators to be authorised or registered on the ESMA Register (as defined below) (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed); and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if such benchmarks or administrators are non-EU based, not deemed equivalent or recognised or endorsed).

#### *The UK Benchmarks Regulation and the EU Benchmarks Regulation*

The UK Benchmarks Regulation, among other things, applies to the provisions of benchmarks and the use of a benchmark in the U.K.. Similarly, it prohibits the use in the U.K. by U.K. supervised entities of benchmarks or administrators that are not authorised or registered on the FCA Register (as defined below) in accordance with the U.K. Benchmarks Regulation (or, if such benchmarks or administrators are non-U.K. based, not deemed equivalent or recognised or endorsed), subject to certain transitional provisions.

ESMA maintains a public register of EU-approved benchmark administrators and non-EU benchmarks pursuant to the EU Benchmarks Regulation (the "**ESMA Register**"). Benchmarks and benchmark administrators which were approved by the FCA prior to 31 December 2020 were removed from the ESMA Register on 1 January 2021. From 1 January 2021 onwards, the FCA maintains a separate public register of FCA-approved benchmark administrators and non-U.K. benchmarks pursuant to the UK Benchmarks Regulation (the "**FCA Register**"). The FCA Register includes benchmark administrators and benchmarks which were approved by the FCA prior to 31 December 2020.

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Covered Bonds linked to a rate or index deemed to be a "benchmark"; in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark".

#### *IBORs*

On 5 March 2021, the FCA announced the dates on which the various LIBOR rates will either cease to be provided or cease to be representative of their underlying market. The FCA announced that for all LIBOR currencies other than USD LIBOR, publication would either cease or the relevant rate would no longer be representative from 31 December 2021. For USD LIBOR, the FCA announced that publication would either cease or the relevant rate would no longer be representative from 30 June 2023 though it is expected that publication of USD LIBOR rates from 31 December 2020 until 30 June 2023 will be primarily to support legacy USD LIBOR transactions and the origination of new USD LIBOR transactions after 31 December 2021 would be limited.

There continues to be significant regulatory scrutiny of continued use of inter-bank offered rates ("**IBORs**"), such as EURIBOR, and increasing pressure and momentum for banks and other financial institutions to transition relevant products to risk-free replacement rates. As a result, Floating Rate Covered Bonds which reference LIBOR will no longer be issued under this Programme, although Floating Rate Covered Bonds which reference EURIBOR or NIBOR may still be issued.

Different currency LIBORs are transitioning to different rates which, in contrast to LIBOR rates (which include an interbank lending risk margin) may be (or may be derived from) risk-free rates, which may perform very differently from the relevant LIBOR rate.

For example, in the case of Floating Rate Covered Bonds:

- Floating Rate Covered Bonds which would traditionally have referenced GBP-LIBOR will instead reference SONIA (currently, this tends to be on the basis of a backward-looking daily compounded SONIA rate, although a forward-looking term rate based on SONIA may be developed in the future);
- Floating Rate Covered Bonds which would traditionally have referenced USD-LIBOR will instead reference SOFR (on the basis, at least initially, of a backward-looking compounded daily rate or weighted average rate); and
- Floating Rate Covered Bonds which would traditionally have referenced EURIBOR may move towards referencing €STR.

The reform and eventual replacement of IBORs with risk-free rates will cause the relevant IBOR to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. These risk-free rates have different methodologies and other important differences from the IBORs they will eventually replace. Any of these developments could have a material adverse effect on the value of and return on Covered Bonds linked to any such rates.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or the UK Benchmark Regulation reforms, investigations and licensing issues in making any investment decision with respect to the Covered Bonds linked to a "benchmark".



### *Specific risks*

Prospective investors should in particular be aware that:

- (a) any of these reforms or pressures described above or any other changes to a particular IBOR (including EURIBOR or NIBOR) 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 any interest rate benchmark is discontinued or is otherwise unavailable, then:
  - (i) the rate of interest on the Loans may be determined for a period by any applicable fall-back provisions under the relevant Loan documentation, although such provisions may not operate as intended (depending on market circumstances and the availability of rates information at the time); and
  - (ii) in circumstances where an amendment as described in paragraph (c) below has not been made at the relevant time, the rate of interest on the Covered Bonds will be determined for a period by the fall-back provisions provided for under Condition 4.2 (*Interest on Floating Rate Covered Bonds*) 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 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 EURIBOR was available;
- (c) while an amendment may be made under Condition 14 (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*) of the Terms and Conditions of the Covered Bonds to change the base rate on the Floating Rate Covered Bonds under certain circumstances broadly related to dysfunction or discontinuation and subject to certain conditions being satisfied (in this regard, please also refer to the risk factor above entitled "*Risks Relating to Structural and Documentation Changes – The Bond Trustee may agree to certain modifications to the Conditions and the Transaction Documents without the Covered Bondholders' prior consent following a cessation or material disruption to a Reference Rate*" below), there can be no assurance that any such amendment will be made or, if made, that it (i) will fully or effectively mitigate all relevant interest rate risks or result in an equivalent methodology for determining the interest rates on the Floating Rate Covered Bonds or (ii) will be made prior to any date on which any of the risks described in this risk factor may become relevant (in this regard, please also refer to the risk factor above entitled "*Risks Relating to Structural and Documentation Changes – The Bond Trustee may agree to certain modifications to the Conditions and the Transaction Documents without the Covered Bondholders' prior consent following a cessation or material disruption to a Reference Rate*" below); and
- (d) if any interest rate benchmark is discontinued, and whether or not an amendment is made under Condition 14 (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*) to change the base rate with respect to the Floating Rate Covered Bonds as described in paragraph (c) above, there can be no assurance that the applicable fall-back provisions under the Swap Agreements would operate to allow the transactions under the Swap Agreement 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 Loans, the Covered Bonds and/or the Swap Agreements due to applicable fall-back provisions or other matters and the effects of this are uncertain but could include a reduction in the amounts available to the Issuer to meet its payment obligations in respect of the Covered Bonds.

Moreover, any of the above matters (including an amendment to change the base rate as described in paragraph (c) above) or any other significant change to the setting or existing of any other relevant interest rate benchmark could affect the ability of the Issuer or the LLP to meet its obligations under the Covered Bonds and/or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Covered Bonds. Changes in the manner of administration of any relevant interest rate benchmark could result in adjustment to the Conditions, early redemption, discretionary valuation by the Calculation

Agent, delisting or other consequences in relation to the Covered Bonds. No assurance may be provided that relevant changes will not occur with respect to any relevant interest rate benchmark and/or that such benchmarks will continue to exist.

### **The market continues to develop in relation to risk free rates as reference rates for Floating Rate Covered Bonds**

Where the applicable Final Terms Document for a series of Floating Rate Covered Bonds identifies that the Rate of Interest for such Covered Bonds will be determined by reference to SOFR, SONIA or €STR, the Rate of Interest will be determined on the basis of the relevant reference rate as described in the applicable Conditions. All such rates are based on "overnight rates". Overnight rates differ from interbank offered rates, such as LIBOR or EURIBOR, in a number of material respects, including (without limitation) that such rates are backwards-looking, risk-free overnight rates, whereas interbank offered rates are expressed on the basis of a forward-looking term and includes a risk-element based on inter-bank lending. As such, investors should be aware that overnight rates may behave materially differently as interest reference rates for Covered Bonds issued under the Programme described in this Prospectus compared to interbank offered rates. The use of overnight rates as a reference rate for eurobonds is developing and is subject to change, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such overnight rates.

Investors should be aware that the market continues to develop in relation to such overnight rates as reference rates in the capital markets and its adoption as an alternative to interbank offered rates, such as LIBOR and EURIBOR. In particular, market participants, industry groups and/or central bank led working groups continue to explore compounded rates and weighted average rates, and observation methodologies for such rates (including so-called 'shift', 'lag', and 'lock-out' methodologies), and such groups may also explore forward-looking 'term' reference rates derived from these overnight rates. Market terms for debt securities indexed to SONIA, SOFR and €STR such as the spread over the index reflected in interest rate provisions or the applicable Observation Method, may evolve over time, and trading prices of the Covered Bonds may be lower than those of later-issued indexed debt securities as a result.

The market or a significant part thereof may adopt an application of an overnight rate in a way that differs significantly from that set out in the Conditions and used in relation to Floating Rate Covered Bonds issued under this Prospectus. In addition, the methodology for determining any overnight rate index by reference to which the Rate of Interest in respect of certain Covered Bonds may be calculated could change during the life of any Covered Bonds. In this respect, the Bank of England released a discussion paper in February 2020 entitled "Supporting Risk-Free Rate transition through the provision of compounded SONIA" pursuant to which the Bank of England stated its intention to publish a daily SONIA compounded index and its consideration whether to publish a set of compounded SONIA period averages. This is an approach similar to that already taken by the Federal Reserve Bank of New York in respect of SOFR. In February 2020, the Federal Reserve Bank of New York, announced that it would publish 30-day, 90-day, and 180-day SOFR averages as well as a SOFR index from March 2020 in order to support a successful transition from USD LIBOR. There is no guarantee that the Bank of England and/or the Federal Reserve Bank of New York will not withdraw, modify or amend any published SONIA index and/or SOFR averages or index data, or that such index or averages will be widely used in the marketplace. A screen rate based on an observable publicly available average rate or index may evolve over time but there is no guarantee of this.

Interest on Covered Bonds which reference overnight rates are only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Covered Bonds which reference overnight rates 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 (*Events of Default, Acceleration and Enforcement*), 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.

### **UK EMIR and EU EMIR**

Regulation (EU) No 648/2012 of the European Parliament and Council on over-the-counter derivatives ("**OTC derivatives**"), central counterparties and trade repositories dated 4 July 2012 which entered into force on 16 August 2012 ("**EU EMIR**") and Regulation (EU) No 648/2012 of the European Parliament and

Council on OTC derivatives, central counterparties and trade repositories dated 4 July 2012, as it forms part of U.K. domestic law by virtue of the EUWA ("**UK EMIR**"), prescribe a number of regulatory requirements for counterparties to derivatives contracts, including (i) a mandatory clearing obligation for certain classes of OTC derivative contracts (the "**Clearing Obligation**"), (ii) margin requirements, daily valuation and other risk mitigation requirements for non-cleared OTC derivatives contracts (the "**Risk Mitigation Requirements**") and (iii) certain reporting requirements.

In general, the application of such regulatory requirements in respect of the Interest Rate Swaps or the Covered Bond Swaps will depend on (i) the classification of the counterparties to such derivative transactions and (ii) the counterparties' jurisdictions. Pursuant to UK EMIR and EU EMIR, counterparties can be classified as: (i) financial counterparties ("**FCs**"), and (ii) non-financial counterparties ("**NFCs**"). The category of "FC" is further split into: (i) financial counterparties above the "clearing threshold" ("**FC+s**") and (ii) financial counterparties below the "clearing threshold" ("**FC-s**"). The category of "NFC" is further split into: (i) non-financial counterparties above the "clearing threshold" ("**NFC+s**"), and (ii) non-financial counterparties below the "clearing threshold" ("**NFC-s**"). FC+ and NFC+ entities may be subject to the Clearing Obligation but the Clearing Obligation does not apply to FC- and NFC- entities. To the extent that the relevant swaps are not cleared, the margin requirements and the daily valuation obligation under the Risk Mitigation Requirements may apply to FC-, FC+ and NFC+ entities, but do not apply to NFC- entities.

The LLP is currently an NFC- under UK EMIR and a third country equivalent NFC- under EU EMIR, although a change in its position cannot be ruled out. Should the status of the LLP change to NFC+, FC+ or FC- under UK EMIR and/or third country equivalent NFC+, FC+ or FC+ under EU EMIR, this may result in the application of the relevant Clearing Obligation or the margin requirement and daily valuation obligation under the applicable Risk Mitigation Requirements (the "**Margin Obligation**"), although it seems unlikely that any of the Swap Agreements would be a type of OTC derivative contract that is subject to the Clearing Obligation under the relevant UK and EU implementing measures made to date. It should also be noted that the applicable Margin Obligation should not apply in respect of the Interest Rate Swaps or the Covered Bonds Swaps entered into prior to the relevant application date, unless such a swap is materially amended on or after that date.

Should the UK EMIR status of the LLP change to NFC+, FC+ or FC-, an exemption from the UK EMIR Clearing Obligation and a partial exemption from the UK EMIR Margin Obligation, each as discussed above, may be available for the Interest Rate Swaps and the Covered Bond Swaps, provided that the applicable conditions are satisfied.

The applicable conditions require that:

- (a) the Interest Rate Swaps and the Covered Bond Swaps are used only to hedge interest rate or currency mismatches under the covered bonds; and
- (b) the arrangements under the covered bonds adequately mitigate counterparty credit risk with respect to the Interest Rate Swaps and the Covered Bond Swaps concluded by the LLP in connection with the covered bonds,

and with respect to the partial exemption from the Margin Obligation only:

- (c) the netting set does not include OTC derivative contracts unrelated to the cover pool of the covered bonds; and
- (d) the covered bond to which the OTC derivative contract is associated meets the requirements of paragraphs (1), (2) and (3) of Article 129 of Regulation (EU) No 575/2013 as it forms part of U.K. domestic law by virtue of the EUWA.

Arrangements under covered bonds shall be considered to adequately mitigate counterparty credit risk, where the OTC derivative contracts concluded by the relevant covered bond entity in connection with the covered bonds comply with all of the following criteria:

- (i) those OTC derivative contracts are registered or recorded in the cover pool of the covered bond in accordance with national legislation on covered bonds;

- (ii) those OTC derivative contracts are not terminated in case of resolution or insolvency of the covered bond issuer or the cover pool;
- (iii) the counterparty to the OTC derivative contract concluded with covered bond issuers or with cover pools for covered bonds ranks at least *pari passu* with the covered bond holders, except where the counterparty to the OTC derivative contract concluded with covered bond issuers or with cover pools for covered bonds is the defaulting or the affected party, or waives the *pari passu* rank; and
- (iv) the covered bonds are subject to a regulatory collateralisation requirement of at least 102%.

These exemptions are only likely to become relevant should the LLP's status under UK EMIR change from NFC- to NFC+, FC+ or FC- and, if clearing is applicable, should the Interest Rate Swaps and Covered Bond Swaps be a type of derivative contract that is subject to the Clearing Obligation under UK EMIR.

If the LLP is required to comply with obligations under UK EMIR and/or EU EMIR that give rise to additional costs and expenses for the LLP, this may in turn reduce amounts available to the LLP to make payments under the Covered Bond Guarantee.

Additionally, EMIR Related Modifications may be made, with respect only to Covered Bonds issued on or after 30 April 2021 (and which are not consolidated and form a single series with any Covered Bonds issued prior to such date), to the terms and conditions applying to Covered Bonds of any one or more Series, the related Receipts and/or Coupons or any Transaction Document, without the consent of the Covered Bondholders, Receiptholders or Couponholders of any Series and without the consent of the other Secured Creditors (other than in respect of a Series Reserved Matter).

Please see "*Risks Relating to Structural and Documentation Changes – The Bond Trustee and the Security Trustee may agree to modifications to the Transaction Documents without, respectively, the Covered Bondholders' or Secured Creditors' prior consent*" below.

**The Secured Overnight Financing Rate used to calculate SOFR may be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in the Covered Bonds.**

The Secured Overnight Financing Rate is published by the Federal Reserve Bank of New York (the "**Federal Reserve**") and is intended to be a broad measure of the cost of borrowing cash overnight collateralised by Treasury securities. The Federal Reserve reports that the Secured Overnight Financing Rate includes all trades in the Broad General Collateral Rate, plus bilateral Treasury repurchase agreement transactions cleared through the delivery-versus-payment service offered by the Fixed Income Clearing Corporation (the "**FICC**"), a subsidiary of the Depository Trust and Clearing Corporation ("**DTCC**"). The Secured Overnight Financing Rate is filtered by the Federal Reserve to remove a portion of the foregoing transactions considered to be "specials".

The Federal Reserve reports that the Secured Overnight Financing Rate is calculated as a volume-weighted median of transaction-level tri-party repurchase agreement data collected from The Bank of New York Mellon as well as General Collateral Finance repurchase agreement transaction data and data on bilateral Treasury repurchase transactions cleared through the FICC's delivery-versus-payment service. The Federal Reserve notes that it obtains information from DTCC Solutions LLC, an affiliate of DTCC. The Federal Reserve notes on its publication page for the Secured Overnight Financing Rate that use of the Secured Overnight Financing Rate is subject to important limitations and disclaimers, including that the Federal Reserve may alter the methods of calculation, publication schedule, rate revision practices or availability of the Secured Overnight Financing Rate at any time without notice.

Because the Secured Overnight Financing Rate is published by the Federal Reserve based on data received from other sources, the Issuer has no control over its determination, calculation or publication. There can be no guarantee that the Secured Overnight Financing Rate will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in Floating Rate Covered Bonds linked to SOFR. If the manner in which the Secured Overnight Financing Rate is calculated is changed, that change may result in a reduction of the amount of interest payable on Floating Rate Covered Bonds linked to SOFR and the trading prices of such Covered Bonds. If the rate at which interest on Floating Rate Covered Bonds linked to SOFR accrues on any day declines to zero or becomes negative, no interest will be payable on such Covered Bonds in respect of that day.

The Federal Reserve began to publish the Secured Overnight Financing Rate in April 2018. The Federal Reserve has also begun publishing historical indicative Secured Overnight Financing Rates going back to 2014. Investors should not rely on any historical changes or trends in the Secured Overnight Financing Rate as an indicator of future changes in the Secured Overnight Financing Rate. Also, since the Secured Overnight Financing Rate is a relatively new market index, Floating Rate Covered Bonds linked to SOFR will likely have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities indexed to the Secured Overnight Financing Rate, such as the spread over the index reflected in interest rate provisions, may evolve over time, and trading prices of Floating Rate Covered Bonds linked to SOFR may be lower than those of later-issued indexed debt securities as a result. Similarly, if the Secured Overnight Financing Rate does not prove to be widely used in securities like the Floating Rate Covered Bonds linked to SOFR, the trading price of such Covered Bonds may be lower than those of bonds linked to indices that are more widely used. Investors in Floating Rate Covered Bonds linked to SOFR may not be able to sell such Covered Bonds at all or may not be able to sell such Covered Bonds at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

## **RISKS RELATING TO COUNTERPARTIES**

### **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, the Cash Manager has been appointed to calculate and monitor compliance with the Asset Coverage Test and the Amortisation Test and to provide cash management services to the LLP and the GIC Provider has been appointed to receive and hold monies on behalf of the LLP and to provide an agreed rate of interest thereon. In this respect, the recent outbreak of coronavirus/COVID-19 and various efforts recommended or put in place for individuals and businesses to contain the spread of the disease in the U.K. and in other countries, as well as some of the U.K. government and central bank financial mitigation measures, could adversely affect operations of such third parties, although it is too early to accurately predict the financial and business impact of the coronavirus/COVID-19 outbreak at this time. 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 (where the relevant Term Advances are not denominated in Sterling) and the Covered Bond Guarantee, as described in the following two risk factors.

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 and appoint a new servicer in its place. 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 in the Portfolio on the terms of the Servicing Agreement. In addition, as described below, any substitute servicer would be required to be authorised under the FSMA and the CCA in order to administer the Loans in the Portfolio. The ability of a substitute servicer to perform fully the required services would depend on, among other things, the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute servicer may affect the realisable value of the Portfolio or any part thereof and/or the ability of the LLP to make payments under the Covered Bond Guarantee. However, if the Servicer ceases to be assigned a long-term, unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa3, by S&P of at least BBB- or by Fitch of at least BBB-, the LLP will be required to use reasonable endeavours to enter into a servicing agreement with a third party in order to ensure continued servicing of the Loans in the Portfolio.

The Servicer has no obligation itself to advance payments that Borrowers fail to make in a timely fashion. The Servicer will not be required to seek the consent or approval of the Covered Bondholders before taking any action under the Servicing Agreement.

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

## **Reliance on Swap Providers**

To provide a hedge against possible variances in the rates of interest payable on the Loans in the Portfolio (which may, for instance, include variable rates of interest, discounted rates of interest, fixed rates of interest or rates of interest which track a base rate) and the rate of interest owed by the LLP under the Covered Bond Swaps and each Intercompany Loan Agreement, the LLP will have in place Interest Rate Swaps with the Interest Rate Swap Provider under the Interest Rate Swap Agreement. In addition, to provide a hedge against interest rate, currency and/or other risks in respect of amounts received by the LLP under the Loans in the Portfolio and the Interest Rate Swaps and amounts payable by the LLP on the outstanding Term Advances and under the Covered Bond Guarantee in respect of the Covered Bonds, the LLP will, where the relevant Term Advances have not been made to the LLP in Sterling, enter into a Non-Forward Starting Covered Bond Swap with a Covered Bond Swap Provider in respect of a Series of Covered Bonds under the Covered Bond Swap Agreement between the LLP and that Covered Bond Swap Provider. Where the relevant Term Advances have been made to the LLP in Sterling, to provide a hedge against interest rate, currency and/or other risks in respect of amounts received by the LLP under the Loans in the Portfolio and the Interest Rate Swaps and amounts payable by the LLP under the Covered Bond Guarantee after service of a Notice to Pay on the LLP or service of an LLP Acceleration Notice on the Issuer and the LLP, the LLP will, where relevant, enter into a Forward Starting Covered Bond Swap with a Covered Bond Swap Provider in respect of a Series of Covered Bonds under a Covered Bond Swap Agreement between the LLP and that Covered Bond Swap Provider.

If the LLP fails to make timely payments of amounts due under any Swap Agreement, then it will have defaulted under that Swap Agreement. A Swap Provider is only obliged to make payments to the LLP as long as the LLP complies with its payment obligations under the relevant Swap Agreement. If the Swap Provider is not obliged to make payments or if it defaults on its obligations to make payments of amounts in the relevant currency equal to the full amount to be paid to the LLP on the due date for payment under the relevant Swap Agreement, the LLP will be exposed to changes in the relevant currency exchange rates to Sterling and to any changes in the relevant rates of interest. Unless a replacement swap is entered into, the LLP may have insufficient funds to make payments under the outstanding Term Advances and, following service of a Notice to Pay on the LLP, under the Covered Bond Guarantee.

If a Swap Agreement terminates, then the LLP may be obliged to make a termination payment to the relevant Swap Provider. There can be no assurance that the LLP will have sufficient funds available to make a termination payment under the relevant Swap Agreement, nor can there be any assurance that the LLP will be able to enter into a replacement swap agreement, or if one is entered into, that the credit rating of the replacement swap counterparty will be sufficiently high to prevent a downgrade of the then current ratings of the Covered Bonds by the relevant Rating Agencies.

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 a Notice to Pay or an LLP Acceleration Notice, the commencement of winding-up proceedings against the LLP and/or realisation of the Security) and (B) *pari passu* with amounts due on the Covered Bonds (in respect of the Covered Bond Swaps and in respect of Interest Rate Swaps following service of a Notice to Pay or an LLP Acceleration Notice, the commencement of winding-up proceedings against the LLP and/or realisation of Security), in each case, except where default by, or downgrade of, the relevant Swap Provider has caused the relevant Swap Agreement to terminate. The obligation on the LLP to make a termination payment may adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee.

## **Change of counterparties**

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

These criteria include requirements imposed by the FCA under the FSMA and requirements in relation to the short-term, unguaranteed and unsecured ratings ascribed to such party by the relevant Rating Agencies. If the party concerned ceases to satisfy the applicable criteria, including the ratings criteria, 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 relevant Transaction Document.

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.

**Issuer may rely on third parties and the Covered Bondholders may be adversely affected if such third party fails to perform their obligations**

The Issuer and the LLP are a party to contracts with a number of other third parties that have agreed to perform services in relation to the Covered Bonds. For example, a paying agent has agreed to provide payment services in connection with the Covered Bonds; and Euroclear and Clearstream, Luxembourg have in respect of Bearer Global Covered Bonds in NGCB form, agreed, *inter alia*, to accept such Bearer Global Covered Bonds as eligible for settlement and to properly service the same, and to maintain up to date records in respect of the total amount outstanding of such Bearer Global Covered Bonds in NGCB form. In the event that any relevant third party was to fail to perform its obligations under the respective agreements to which it is a party, the Covered Bondholders may be adversely affected.

**RISKS RELATING TO STRUCTURAL AND DOCUMENTATION CHANGES**

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

Pursuant to the terms of the Trust Deed and the Deed of Charge, the Bond Trustee and the Security Trustee may, without the consent or sanction of any of the Covered Bondholders or any of the other Secured Creditors, concur with any person in making or sanctioning any modification to, or waive or authorise any breach or proposed breach in respect of, the Transaction Documents and the Terms and Conditions of the Covered Bonds:

- **provided that** (a) the Bond Trustee is of the opinion that such modification, waiver or authorisation will not be materially prejudicial to the interests of any of the Covered Bondholders, and (b) the Security Trustee is of the opinion that such modification, waiver or authorisation is not materially prejudicial to the interests of any of the Covered Bondholders or the Covered Bond Swap Providers or the Interest Rate Swap Provider, except for a relevant Covered Bond Swap Provider or the Interest Rate Swap Provider who is a member of the Enlarged Santander UK Group (where, if the Security Trustee is unable to determine whether any such modification, waiver or authorisation is materially prejudicial to any of the Covered Bond Swap Providers or the Interest Rate Swap Provider, the provisions referred to below under "*Security Trustee's powers may affect the interests of the Covered Bondholders*" shall apply); or
- which is in the sole opinion of the Bond Trustee or the Security Trustee (as the case may be) of a formal, minor or technical nature or is to correct a manifest error or an error which is, in the sole opinion of the Bond Trustee or the Security Trustee (as the case may be), proven, or is to comply with mandatory provisions of law,

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

- (a) that such modification, waiver or authorisation, as applicable, would not result in a breach of the RCB Regulations, or result in the Issuer, the Programme and/or any Covered Bonds issued under the Programme ceasing to be registered under the RCB Regulations; and
- (b) that either: (i) such modification, waiver or authorisation would not require the FCA to be notified in accordance with Regulation 20 of the RCB Regulations; or (ii) if such modification, waiver or authorisation would require the FCA to be notified in accordance with Regulation 20 of the RCB Regulations, the Issuer has provided all information required to be provided to the FCA and the FCA has given its consent to such proposed modification, waiver or authorisation.

Notwithstanding the above, the Issuer, the LLP and the Principal Paying Agent may, without the consent or sanction of the Bond Trustee, the Security Trustee, the Covered Bondholders, Receiptholders or

Couponholders or any of the other Secured Creditors, concur with any person in making or sanctioning any modification to the provisions of any Final Terms Document which is of a formal, minor or technical nature or is made to correct a proven or manifest error or to comply with any mandatory provisions of law.

The Bond Trustee and the Security Trustee are required to, without the consent or sanction of any of the Covered Bondholders of any Series, the related Receiptholders and/or the Couponholders or any other Secured Creditors (except for any Covered Bond Swap Provider), concur with the Issuer in making any modifications to the Transaction Documents and/or the Conditions that are requested by the Issuer to comply with any criteria of the Rating Agencies which may be published after 9 September 2011 and which the Issuer certifies to the Bond Trustee and the Security Trustee in writing are required to avoid a downgrade, withdrawal or suspension of the then current ratings assigned by a Rating Agency to any Series of the Covered Bonds. However, the Bond Trustee and the Security Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Bond Trustee and the Security Trustee, as applicable, would have the effect of (a) exposing the Bond Trustee and the Security Trustee, as applicable, to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (b) increasing the obligations or duties, or decreasing the protections, of the Bond Trustee and the Security Trustee, as applicable, in the Transaction Documents and/or the Conditions. For the avoidance of doubt, such modifications may include, without limitation, modifications which would allow any Swap Provider not to post collateral in circumstances where it previously would have been obliged to do so.

In addition, the Bond Trustee and the Security Trustee are required to, and the LLP, the Issuer may also agree to EMIR Related Modifications (as defined below), without the consent of the Covered Bondholders, Receiptholders or Couponholders of any Series and without the consent of the other Secured Creditors, with respect only to Covered Bonds issued on or after 30 April 2021 (and which are not consolidated and form a single series with any Covered Bonds issued prior to such date), and subject to receipt by the Bond Trustee and the Security Trustee of a certificate of the Issuer signed by two Issuer Authorised Signatories or the LLP signed by a Designated Member certifying to the Bond Trustee and the Security Trustee that (a) the requested modifications of the terms and conditions applying to Covered Bonds of any one or more Series (including the Terms and Conditions), the related Receipts and/or Coupons and/or any relevant Transaction Documents are to be made solely for the purpose of enabling the Issuer or the LLP to comply with any requirements which apply to it under UK EMIR or EU EMIR ("**EMIR Related Modifications**") and (b) such EMIR Related Modifications do not relate to a Series Reserved Matter, and the Covered Bondholders and other Secured Creditors shall be deemed to have instructed the Bond Trustee and the Security Trustee to concur in making any and all such EMIR Related Modifications and shall be bound by such EMIR Related Modifications to the Transaction Documents and/or the Terms and Conditions regardless of whether or not such modifications are materially prejudicial to the interests of Covered Bondholders and the other Secured Creditors, provided that neither the Bond Trustee nor the Security Trustee shall be obliged to agree to any EMIR Related Modification which, in the sole opinion of the Bond Trustee or the Security Trustee, would have the effect of (a) exposing the Bond Trustee and/or the Security Trustee to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (b) increasing the obligations or duties, or decreasing the protections of the Bond Trustee and/or the Security Trustee under the Transaction Documents and/or the Terms and Conditions.

Furthermore, at the request of the Issuer, the Bond Trustee and the Security Trustee are required to concur with the LLP and the Issuer in effecting a Ratings Modification Event (as defined below), without the consent of the Covered Bondholders, Receiptholders or Couponholders of any Series and without the consent of the other Secured Creditors, with respect only to Covered Bonds issued on or after 25 June 2014 (and which are not consolidated and do not form a single series with any Series of Covered Bonds issued prior to 25 June 2014), and subject to receipt by the Bond Trustee and the Security Trustee of a certificate of the Issuer signed by two Issuer Authorised Signatories certifying that the requested modifications to the Terms and Conditions applying to such Covered Bonds and/or any related Receipts and/or Coupons or any Transaction Documents are to be made solely for the purposes of enabling the Issuer (i) to remove any one of the Rating Agencies (a "**Removed Rating Agency**") from rating any Series of Covered Bonds issued on or after the date of this Prospectus together with the related ratings criteria, rating tests, rating triggers and any and all requirements specified by and/or relating to such Removed Rating Agency (an "**Existing Rating Agency Removal**"), in so far as they relate to such Series of Covered Bonds issued on or after 25 June 2014; and/or (ii) to reappoint any such Removed Rating Agency or substitute any such Removed Rating Agency for one of the remaining two Rating Agencies to provide a rating in respect of any such Series of Covered Bonds and include the then current relevant ratings criteria, rating tests, rating triggers and any and all relevant requirements specified by and/or relating to the reappointed Rating Agency (an "**Existing Rating Agency Reappointment**"), (each of an Existing Rating Agency Removal and an Existing Rating



Agency Reappointment a "**Ratings Modification Event**"), **provided that**, in each case and at all times, such Series of Covered Bonds continues to be rated by at least two Rating Agencies, and subject as provided below. The Covered Bondholders and other Secured Creditors shall be deemed to have instructed the Bond Trustee and the Security Trustee to concur in effecting any such Ratings Modification Event and shall be bound by the modifications made to the Transaction Documents and/or the Terms and Conditions to implement any such Ratings Modification Event regardless of whether or not such modifications are materially prejudicial to the interests of Covered Bondholders and the other Secured Creditors, **provided that** neither the Bond Trustee nor the Security Trustee shall be obliged to agree to any Ratings Modification Event which, in the sole opinion of the Bond Trustee or the Security Trustee, would have the effect of (a) exposing the Bond Trustee and/or the Security Trustee to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (b) increasing the obligations or duties, or decreasing the protections of the Bond Trustee and/or the Security Trustee under the Transaction Documents and/or the Conditions.

**The Bond Trustee may agree to certain modifications to the Conditions and the Transaction Documents without the Covered Bondholders' prior consent following a cessation or material disruption to a Reference Rate**

In addition to the right of the Bond Trustee to make certain modifications to the Transaction Documents without the consent of Covered Bondholders described under "*The Bond Trustee and the Security Trustee may agree to modifications to the Transaction Documents without, respectively, the Covered Bondholders' or Secured Creditors' prior consent*" above, the Bond Trustee shall, without any consent or sanction of the Covered Bondholders or any of the other Secured Creditors or (in the case of a Benchmark Transition Event) without the consent or sanction of the Covered Bondholders or any confirmation from any Rating Agencies, concur with the Issuer in making any modification to the Conditions and/or any other Transaction Document to which it is a party or in relation to which it holds security that the Issuer considers necessary:

- with respect to floating rate covered bonds calculated by reference to SONIA, €STR, EURIBOR, NIBOR or such other relevant interest rate benchmark (other than SOFR), for the purpose of changing the Reference Rate in respect of any Series of Covered Bonds issued after 30 April 2021 to an Alternative Base Rate (as further described in Condition 14(d) (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*)) and make such other amendments as are necessary or advisable in the reasonable judgment of the Issuer to facilitate such change, to the extent there has been or there is reasonably expected to be a material disruption or cessation to such Reference Rate, 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; or
- with respect to floating rate covered bonds calculated by reference to SOFR, if the Issuer (in its capacity as Designated Transaction Representative) determines that a Benchmark Transition Event has occurred with respect to SOFR, for the purpose of making any modification to the Conditions or any of the Transaction Documents that the Designated Transaction Representative decides may be appropriate to give effect to the provisions set forth in Condition 14(g) ("*Effect of Benchmark Transition Event on SOFR linked Floating Rate Covered Bonds*") in relation only to all determinations of the rate of interest payable on any U.S. dollar denominated Floating Rate Covered Bonds which are calculated by reference to SOFR and issued on or after 30 April 2021 and any related swap agreements.

In each case, such amendments shall not constitute a Series Reserved Matter in respect of the relevant Series of Covered Bonds.

With respect to a Base Rate Modification (and not with respect to a Benchmark Transition Event), the Issuer must provide at least 30 calendar 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 (in each case specifying the date and time by which the Covered Bondholders must respond), and Covered Bondholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds then outstanding have not contacted the Issuer in writing within such notification period (or otherwise in accordance with the then current practice of any applicable clearing system through which such Covered Bonds may be held) notifying it 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 Issuer within the notification period as described above that such Covered Bondholders do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Covered Bondholders of the relevant Series then outstanding is passed in favour of such modification in accordance with Condition 14(d) (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*). 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, Waiver and Substitution*), without seeking further consent or sanction of any of the Covered Bondholders and irrespective of whether such modification is or may be materially prejudicial to the interest of the Covered Bondholders, concur with the Issuer in making the proposed modification.

With respect to a Base Rate Modification, it is possible that a Base Rate 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, the 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.

With respect to a Benchmark Transition Event, the Covered Bondholders and the other Secured Creditors shall be deemed to have instructed the Bond Trustee to concur with any amendments that the Designated Transaction Representative decides may be appropriate to give effect to the provisions set forth in Condition 14(g) ("*Effect of Benchmark Transition Event on SOFR linked Floating Rate Covered Bonds*"), and shall be bound by them regardless of whether or not they are materially prejudicial to the interests of the Covered Bondholders or the other Secured Creditors.

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

In the exercise of its powers, trusts, authorities and discretions the Security Trustee shall only have regard to the interests of the Covered Bondholders, save in relation to a proposed modification to, or waiver or authorisation of any breach or proposed breach of, any provisions of the Covered Bonds of any Series or any of the Transaction Documents where it shall only have regard to the interests of the Covered Bondholders and, except for a Covered Bond Swap Provider or the Interest Rate Swap Provider who is a member of the Enlarged Santander UK Group, the Covered Bond Swap Providers and the Interest Rate Swap Provider.

Where the Security Trustee is unable to determine whether any such modification, waiver or authorisation is materially prejudicial to any of the Covered Bond Swap Providers or the Interest Rate Swap Provider, except for a Covered Bond Swap Provider or the Interest Rate Swap Provider (as the case may be) who is a member of the Enlarged Santander UK Group, it shall give written notice to such Covered Bond Swap Provider or the Interest Rate Swap Provider, setting out the relevant details and requesting its consent thereto. Any such Covered Bond Swap Provider or the Interest Rate Swap Provider shall, within ten London Business Days of receipt of such notice (the "**Relevant Period**"), notify in writing the Security Trustee of (a) its consent (such consent not to be unreasonably withheld or delayed) to such proposed modification, waiver or authorisation; or (b) subject to paragraph (a), its refusal to give such consent and reasons for such refusal (such refusal not to be unreasonable in the circumstances). Any failure by the relevant Covered Bond Swap Provider or the Interest Rate Swap Provider to notify the Security Trustee as aforesaid within the Relevant Period shall be deemed to be a consent by the relevant Covered Bond Swap Provider or the Interest Rate Swap Provider to such proposed modification, waiver or authorisation, **provided that** the Security Trustee shall only agree to such modification, waiver or authorisation if it is satisfied that the exercise of its powers, trusts, authorities and discretions in respect of such modification, waiver or authorisation will not be materially prejudicial to the interests of the Covered Bondholders. In the exercise of its powers, trusts, authorities and discretions, the Security Trustee may not act on behalf of the Seller.

If, in connection with the exercise of its powers, trusts, authorities or discretions, the Security Trustee is of the opinion that the interests of the holders of the Covered Bonds of any one or more Series would be materially prejudiced thereby, the Security Trustee shall not exercise such power, trust, authority or discretion without the approval of such Covered Bondholders by Extraordinary Resolution or by a direction

in writing of such Covered Bondholders of at least 25 per cent. of the Sterling Equivalent of the Principal Amount Outstanding of Covered Bonds of the relevant Series then outstanding.

## **MACROECONOMIC AND MARKET RISKS**

### **The Covered Bonds are subject to selling and transfer restrictions that may affect the existence and liquidity of any secondary market in the Covered Bond**

The Covered Bonds have not been, and will not be, registered under the Securities Act or any other applicable securities laws. Accordingly, the Covered Bonds are subject to certain restrictions on the resale and other transfer thereof as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*". As a result of such restrictions, the Issuer cannot be certain of the existence of a secondary market for the Covered Bonds or the liquidity of such market if one develops. Consequently, a Covered Bondholder must be able to bear the economic risk of an investment in a Covered Bond for an indefinite period of time.

### **The relationship between the United Kingdom with the European Union may affect the business of the Issuer, the ability of the Issuer to satisfy its obligations under the Covered Bonds and/or the market value and/or liquidity of the Covered Bonds in the secondary market**

On 23 June 2016, the U.K. held a referendum on whether the U.K. should remain a member of the European Union. The U.K. voted to leave the EU and, on 29 March 2017, the U.K. Government invoked article 50 of the Lisbon Treaty and officially notified the European Union of its decision to withdraw from the EU. This commenced the formal two-year process (although this was subsequently extended three times) of negotiations regarding the terms of the withdrawal and the framework of the future relationship between the U.K. and the EU (the "**Article 50 Withdrawal Agreement**").

On 31 January 2020, the United Kingdom ceased to be a member of the EU and the EEA. By virtue of the EUWA and the Article 50 Withdrawal Agreement, EU law and EU-derived domestic legislation continued to apply to and in the U.K. during a transition period lasting until 31 December 2020. During the transition period the U.K. continued to be treated as a member state under EU law unless otherwise specified. On 24 December 2020, an agreement in principle was reached in relation to the EU-UK Trade and Cooperation Agreement (the "**Trade and Cooperation Agreement**"), to govern the future relations between the EU and UK following the end of the transition period. The Trade and Cooperation Agreement had provisional application from 1 January 2021 until the European Parliament voted in favour of ratifying the Trade and Cooperation Agreement in a vote held on 27 April 2021.

The continuing effects of the U.K.'s departure from the EU are difficult to predict and there remains both short term and long term political and economic uncertainty around the departure that may have negative impact on the U.K. economy, affecting its growth. Accordingly, no assurance can be given that the UK's withdrawal from the EU will not adversely affect the Issuer's business, financial condition and results of operations and/or the market value and/or the liquidity of the Covered Bonds in the secondary market. In addition, future U.K. political developments, including any changes in government structure and policies, could affect the fiscal, monetary and regulatory landscape to which the Santander UK Group is subject and also therefore its financing availability and terms. Consequently no assurance can be given that the Santander UK Group's operating results, financial condition and prospects would not be adversely impacted as a result.

Prospective investors should also note that the regulatory position of the Covered Bonds may be affected by the U.K. ceasing to be a member of the EU and the EEA. This includes, but is not limited to, the availability of Covered Bonds as ECB eligible collateral and the restriction on 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 (as to which, please also refer to the risk factor entitled "*Risks Relating to Regulation of the Covered Bonds*" above and "*Harmonisation of the EU covered bond framework*" and "*Regulatory initiatives may have an adverse impact on the regulatory treatment of the Covered Bonds*" below).

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 and/or liquidity of the Covered Bonds in the secondary market.

**The Remarketing Bank may not be able to remarket Money Market Covered Bonds and payments from a Conditional Purchaser may not be sufficient to repay Money Market Covered Bonds**

The ability of the Remarketing Bank to procure payment of the transfer price on a Transfer Date will depend upon the Remarketing Bank either (a) procuring third party purchasers for any tendered Money Market Covered Bonds prior to the relevant Transfer Date and obtaining the Transfer Price from those third party purchasers or (b) exercising its rights under the Conditional Purchase Agreement to require the Conditional Purchaser to acquire the unremarketed Money Market Covered Bonds.

There can be no assurance that the Remarketing Bank will be able to identify purchasers willing to acquire the tendered Money Market Covered Bonds on a Transfer Date. In such event the transfer of any unremarketed Money Market Covered Bonds would be dependent upon the ability of the Conditional Purchaser to pay the transfer price and acquire the unremarketed Money Market Covered Bonds.

You should consider carefully the risk posed if your tendered Money Market Covered Bonds cannot be remarketed on a Transfer Date and either (a) the conditions to the Conditional Purchaser's obligation to purchase unremarketed Money Market Covered Bonds (which will be set out in the applicable Final Terms Document) are not satisfied or (b) the Conditional Purchaser defaults in its obligation to purchase unremarketed Money Market Covered Bonds under the Conditional Purchase Agreement. In those situations Covered Bondholders may be unable to sell the Money Market Covered Bonds on the relevant Transfer Date or at any other time.

In addition, you will have no recourse against the Issuer, the Conditional Purchaser or the Remarketing Bank for any default or failure to purchase by the Conditional Purchaser under the Conditional Purchase Agreement or default or failure to remarket by the Remarketing Bank under the remarketing agreement. Although the parties to these agreements may be able to enforce them, they have no obligation to do so.

None of the Issuer, the Dealers, any Remarketing Bank or any Conditional Purchaser will make any representation as to the suitability of the Money Market Covered Bonds for investment by money market funds subject to Rule 2a-7 under the Investment Company Act. Any determination as to such suitability or compliance with Rule 2a-7 under the Investment Company Act is solely your responsibility.

**The Issuer cannot assure a trading market for the Covered Bonds will ever develop or be maintained**

The Issuer may issue Covered Bonds in different series with different terms and conditions in amounts that are to be determined. The Covered Bonds may be unlisted (such Covered Bonds will not be issued pursuant to (and do not form part of) this Prospectus) or listed on a recognised stock exchange and there can be no assurance that an active trading market will develop for any series of Covered Bonds. There can also be no assurance regarding the ability of Covered Bondholders to sell their Covered Bonds or the price at which such holders may be able to sell their Covered Bonds. If a trading market were to develop, the Covered Bonds could trade at prices that may be higher or lower than the initial offering price and this may result in a return that is greater or less than the interest rate on the Covered Bonds, depending on many factors, including:

- the Santander UK Group's financial results;
  - any change in the Issuer's creditworthiness;
  - the market for similar securities;
  - the complexity and volatility of the index or formula applicable to the Covered Bonds the method of calculating the principal, premium and interest in respect of the Covered Bonds;
  - the time remaining to the majority of the Covered Bonds;
  - the outstanding amount of the Covered Bonds;
  - the redemption features of the Covered Bonds;
  - the amount of other debt securities linked to the index or formula applicable to the Covered Bonds;
- and

- the level, direction and volatility of market interest rates generally.

In addition, certain Covered Bonds may have a more limited trading market and may experience more price volatility because they were designed for specific investment objectives or strategies. There may be a limited number of buyers when an investor decides to sell such Covered Bonds. This may affect the price an investor receives for such Covered Bonds or the ability of an investor to sell such Covered Bonds at all.

#### **A lack of liquidity in the secondary market may adversely affect the market value of the Covered Bonds**

The secondary market for mortgage-backed securities has over the past decade experienced disruptions as a result of reduced investor demand for mortgage loans and mortgage-backed securities and increased investor yield requirements for those loans and securities. This has had a material adverse impact on the market value of mortgage-backed securities and resulted in the secondary market for mortgage-backed securities experiencing at times very limited liquidity and a material increase in the price of credit protection on mortgage-backed securities through credit derivatives. Limited liquidity in the secondary market may continue to have an adverse impact on the market value of 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 certain categories of investors. A lack of liquidity in the secondary market may mean that a Covered Bond investor 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 an investor. Accordingly, no assurance can be given as to the development or liquidity of any market for the Covered Bonds.

#### **Significant deterioration in wholesale funding markets may have an adverse effect on the Santander UK Group**

Since the second half of 2007, disruption in the global markets, coupled with the re-pricing of credit risk and the deterioration of the housing markets in the U.S. and elsewhere, have created difficult conditions in the financial markets. These conditions have resulted in historic volatility, less liquidity or no liquidity, widening of credit spreads and a lack of price transparency in certain markets, both primary and secondary, including with respect to the mortgage-backed securities markets. These adverse market conditions have resulted in the failures of a number of financial institutions in the U.S. and Europe and unprecedented action by governmental authorities, regulators and central banks around the world. While such market conditions have shown signs of improvement in certain sectors of the global credit markets, it is difficult to predict whether, or to what extent, such market improvement will continue. Additionally, there can be no assurance that the market for mortgage-backed securities, on which the Issuer relies for a significant proportion of its funding requirements, will continue to recover or recover to the same degree as other recovering global credit market sectors.

If wholesale funding markets do not continue to improve or if they deteriorate, this may have an adverse effect on Santander UK Group's liquidity and funding. Additionally, the Issuer, as Seller of Loans to the LLP, is obliged under certain limited circumstances to repurchase Loans from the LLP that are in breach of the warranties made by the Seller in the Mortgage Sale Agreement. If the Issuer is unable to repurchase loans or perform its ongoing obligations under the transactions described in this Prospectus, the performance of the Covered Bonds may be adversely affected.

There can be no assurance that the wholesale funding markets will not further deteriorate.

### **LEGAL AND REGULATORY RISKS**

#### **Changes of law**

The structure of the issue of the Covered Bonds and the ratings which are to be assigned to them are based on English law and, in relation to the Scottish Loans and the Northern Irish Loans, Scots law and Northern Irish law, respectively, in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law, Scots law or Northern Irish law (including any change in regulation which may occur without a change in primary legislation) or administrative practice or tax treatment in the U.K. 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.

## **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, several cases have focused 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 payments.

The U.K. Supreme Court has held that a flip clause as described above is valid under English law. Contrary to this, however, a U.S. Bankruptcy Court has held in two separate cases that such a subordination provision is unenforceable under U.S. bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a U.S. bankruptcy of the counterparty. However, a subsequent 2016 U.S. Bankruptcy Court decision held that in certain circumstances flip clauses are protected under the U.S. Bankruptcy Code and therefore enforceable in bankruptcy. The 2016 decision was affirmed on 14 March 2018 by the U.S. District Court for the Southern District of New York, which 2018 decision was further affirmed on 11 August 2020 by the U.S. Court of Appeals for the Second Circuit. The implications of this conflicting judgment remain unresolved.

If a creditor of the Issuer 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 Issuer, 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. 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 any replacement swap counterparty, depending on certain matters in respect of that entity.

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 Issuer to satisfy its obligations under the Covered Bonds.

## **Expenses of insolvency officeholders**

Under the RCB Regulations, following the realisation of any asset pool security and/or a 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 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 Secured Creditors in an administration of the LLP. It appears that these costs and expenses would include costs incurred by an insolvency officeholder (including an administrative receiver, liquidator or administrator) in relation to certain senior service providers and hedge counterparties and also general expenses incurred in the corresponding insolvency proceedings in respect of the LLP (which could include any corporation tax charges). This is a departure from the general position under English law which provides that in general the expenses of any administration or winding-up (and, following the implementation of new section 176ZA of the Insolvency Act 1986 on 6 April 2008, the expenses of any liquidation) rank ahead of unsecured debts and the claims of any floating charge-holder, but not ahead of the claims of any 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, each Secured Creditor agrees in effect that (amongst other things) if it receives certain subordinated amounts in respect of any secured liabilities owed to it other than in accordance with the Post-Enforcement Priority of Payments (referred to under "*Cashflows*") 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 the relevant priority of payments. Notwithstanding such provision, 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*".

### **Fixed charges may take effect under English law as floating charges**

Pursuant to the terms of the Deed of Charge, the LLP has purported to grant fixed charges over, amongst other things, its interests in the English 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 (other than by way of assignment in security) 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 expenses of any winding-up or administration, 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 U.K. tax authorities), and took effect from 1 December 2020 certain amounts owed to the United Kingdom tax authorities will become secondary preferential debts and rank ahead of the recovered 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 (as described in more detail below under "*Enterprise Act 2002*").

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

### **Security and insolvency considerations**

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

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

### **Liquidation Expenses**

On 6 April 2008, section 176 ZA of the Insolvency Act 1986 came into force and effectively reversed the House of Lords' decision in the case of *Re Leyland Daf* [2004] UKHL 6. 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).

On this basis and as a result of the changes described above, in a winding-up of the LLP, 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). There can be no assurance that the Covered Bondholders will not be adversely affected by such a reduction in floating charge realisations.

### **Limited Liability Partnerships**

The LLP is a limited liability partnership. Limited liability partnerships, created by statute pursuant to the Limited Liability Partnerships Act 2000 (the "**LLPA**"), are bodies corporate 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 in the U.K. 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 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.

### **The Banking Act**

The Banking Act includes provision for a special resolution regime (the "**SRR**") pursuant to which specified U.K. authorities (HM Treasury, the Bank of England, the PRA and the FCA) have a variety of tools to deal with the failure (or likely failure) of certain U.K. incorporated entities, including authorised deposit-taking institutions and investment firms, and powers to take certain resolution actions in respect of third country institutions.

In addition, powers may be used in certain circumstances in respect of U.K. established banking group companies, where such companies are in the same group as a relevant U.K. or third country institution.

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

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



SRR transfers under the Banking Act may impact the rights of transferors and third parties in relation to the affected institution. Legal or contractual rights which would operate to inhibit the transfer or which would otherwise be triggered by the transfer (and certain related events) can be disregarded and SRR transfers can take effect free from trusts, liabilities or other encumbrances. Exercise of certain of the tools under the SRR may involve a partial transfer of the affected institution's property, which could lead to the rights and obligations of counterparties of the affected institution being split between the transferor and transferee entity (although the Banking Act and the Banking Act 2009 (Restriction of Partial Property Transfers) Order 2009 do restrict partial property transfers to some extent, including protection such that certain partial property transfers may not provide for the transfer of some, but not all, of the property, rights and liabilities which are, or form part of, a capital market arrangement to which the relevant institution is a party).

Where part only of the property, rights and liabilities of a U.K. authorised deposit holder are transferred, the interests of pre-transfer creditors of the relevant U.K. authorised deposit holder whose liabilities are not transferred can effectively be subordinated to the primary objective of the special bank administration (the supply to the purchaser of such services and facilities as are required to enable it to operate effectively) or the primary objective of the bank insolvency procedure (to work with the FSCS so as to ensure that as soon as reasonably practicable each eligible depositor (a) has the relevant account transferred to another financial institution or (b) receives payment from the FSCS).

The Banking Act confers wide-ranging ancillary powers on the Authorities to enable SRR transfers and to ensure the continuity of the transferred business. In particular, HM Treasury is given the power to change the law, either generally or specifically and with immediate or with retrospective effect, if HM Treasury considers it is necessary or desirable in order to make a power under the SRR more effective. The Banking Act includes provisions to effect the payment of compensation to transferors under an SRR transfer and to third parties. In general, there is considerable uncertainty about the scope of the powers afforded to the Authorities under the Banking Act and how the 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 (as the case may be) may (amongst other things) affect the ability of the Issuer to satisfy its obligations under the Transaction Documents and/or (i) result in a compulsory transfer of the Covered Bonds or other securities or property of the Issuer, (ii) impact on the rights of the Covered Bondholders or result in the nullification or the modification of the Terms and Conditions of the Covered Bonds or the Transaction Documents and/or (iii) result in the de-listing of the Covered Bonds. 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 that such instrument or order (and certain related events) 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) and/or (iv) the cancellation, modification or conversion of certain unsecured liabilities of such entity under the Transaction Documents, including any unsecured portion of the liability in respect of the Covered Bonds at the relevant time. Accordingly, the making of an instrument or order in respect of the Issuer may restrict the ability of parties to the Transaction Documents (including the Security Trustee) to take action as provided for by the terms of such Transaction Documents. Moreover, other than in the context of certain partial property transfers, nullification or modifications may be made to contractual arrangements between certain group companies for the purposes of continuity of service (including between the Issuer and between either such entity and the LLP). If an instrument or order were to be made under the Banking Act in respect of the Issuer or any other U.K. institution which is an authorised deposit taker and who is also at such time a Covered Bond Swap Provider, such action may affect various other aspects of the transaction, including resulting in modifications to default event provisions included in the Transaction Documents as described above and, more generally, the ability of such parties to perform their obligations under the Transaction Documents. As a result, the making of an instrument or order in respect of the Issuer or any other U.K. institution which is an authorised deposit taker and who is also at such time a Covered Bond Swap Provider may negatively affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee or the ability of the Issuer to meet its obligations in respect of the Covered Bonds.

As noted above, the stabilisation tools may be used in respect of certain banking group companies provided certain conditions are met. If the LLP was regarded to be a banking group company and no exclusion applied, then it would be possible in certain scenarios for the relevant authority to exercise one or more relevant stabilisation tools (including the property transfer powers and/or the bail-in powers) in respect of

it, which could result in reduced amounts being available to make payments under the Covered Bond Guarantee and/or in the modification, cancellation or conversion of any unsecured portion of the liability of the LLP under the Covered Bond Guarantee at the relevant time. In this regard, it should be noted that the U.K. 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.

As at the date of this Prospectus, no instrument or orders have been made under the Banking Act in respect of the Santander UK Group or any other U.K. institution which is an authorised deposit taker and who is also at such time a Covered Bond Swap Provider and there has been no indication that any such instrument or order will be made, but there can be no assurance that this will not change or that Covered Bondholders will not be adversely affected by any such instrument or order if made in the future. While there is provision for compensation in certain circumstances under the Banking Act, there can be no assurance that Covered Bondholders would recover compensation promptly and equal to any loss actually incurred. It should also be noted that any extraordinary public financial support provided to a relevant institution through any stabilisation action (such as temporary public ownership) would be used by the U.K. authorities as a last resort only after having assessed and exploited, to the maximum extent practicable, the resolution tools and powers described above.

#### **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. As the LLP is a member of the Santander UK Group, it may be treated as "connected with" an employer under an occupational pension scheme which is within the Santander UK Group.

A contribution notice could be served on the LLP if it was party to an act, or a deliberate failure to act, the main purpose or one of the main purposes of which was either (i) to prevent the recovery of the whole or any part of a debt which was, or might become, due from the employer under section 75 of the Pensions Act 1995 or (ii) otherwise than in good faith, to prevent such a debt becoming due, to compromise or otherwise settle such a debt, or to reduce the amount of such a debt which would otherwise become due.

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

If a contribution notice or financial support direction were to be served on the LLP, this could adversely affect the interests of the Covered Bondholders.

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

In Europe, the U.K., 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 Dealers or the Arranger makes any representation to any prospective investor or purchaser of the Covered Bonds regarding the treatment of their investment on the Issue 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 and the U.K..

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.

### **Harmonisation of the EU covered bond framework**

It should also be noted that in November 2019, the European Parliament and the Council adopted the legislative package on covered bond reforms made up of a new covered bond directive (Directive (EU) 2019/2162) and a new regulation (Regulation (EU) 2019/2160), which entered into force on 7 January 2020 with the deadline for application of 8 July 2022 (both texts have relevance for the EEA and are to be implemented in due course in other countries in the EEA). The new covered bond directive replaces article 52(4) of the UCITS Directive, establishes a revised common base-line for issue of covered bonds for EU regulatory purposes (subject to various options that members states may choose to exercise when implementing the new directive through national laws). The new regulation will be directly applicable in the EU from 8 July 2022 and it amends article 129 of the Capital Requirements Regulation (Regulation (EU) No 575/2013) ("**EU CRR**") (and certain related provisions) and further strengthens the criteria for covered bonds that benefit from preferential capital treatment under the EU CRR regime. As EU CRR permits the exercise of certain national discretion, the implementation may be subject to some level of national variation. In the UK, the Financial Conduct Authority confirmed that it intends to implement the EU covered bond reforms in the UK and it is expected that a consultation on the proposed amendments will be published in the course of 2021. Therefore, there can be no assurances or predictions made as to the precise effect of the new regime on the Covered Bonds.

The new covered bond directive provides that an equivalence for third-country (non-EU Member State) covered bond frameworks will be assessed following a two-year study period after entry into force. Investors in the Covered Bonds should consider their own regulatory positions and the uncertainty with respect to the Covered Bonds since such instruments may not qualify for preferential risk weight until 2022 and may not be used as collateral for Eurosystem credit window purposes.

In addition, preferential regulatory treatment under article 129 of the EU CRR has not been available in respect of the Covered Bonds since 1 January 2021. Furthermore, the Covered Bonds will not be grandfathered under the EU covered bond reforms, once these become applicable, given the new covered bond directive provides for permanent grandfathering for article 52(4) UCITS Directive-compliant covered bonds issued by an issuer with its registered office in an EU member state before the relevant application date, provided there is continued supervision by the relevant designated competent authority in the EU (similar grandfathering provisions are also provided for in the new regulation). The Covered Bonds may be eligible as Level 2A assets under Delegated Regulation (EU) 2018/1620 (as amended), provided equivalence requirements are met, as to which no assurances are made and prospective investors should therefore make themselves aware of the changes in addition to any other applicable regulatory requirements with respect to their investment in the Covered Bonds.

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

### **General legal investment considerations**

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Covered Bonds are legal investments for it, (2) Covered Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to

determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

### **U.K. Mortgage Regulation**

No assurance can be given that additional regulations or guidance from the Department for Business, Innovation and Skills, the FCA, the PRA, the FOS, the CMA or any other regulatory authority will not arise with regard to the mortgage market in the U.K. generally, the Seller's particular sector in that market or specifically in relation to the Seller. Any such action or developments or compliance costs may have a material adverse effect on the Loans, the Seller, the LLP, the Issuer and/or the Servicer and their respective businesses and operations. This may adversely affect the ability of the LLP to dispose of the Portfolio or any part thereof in a timely manner and/or the realisable value of the Portfolio or any part thereof and accordingly affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee when due.

## FORM OF THE COVERED BONDS

The Covered Bonds of each Series will be in either bearer form, with or without receipts, interest coupons and/or talons attached, or registered form, without receipts, interest coupons and/or talons attached. Bearer Covered Bonds will be issued outside the United States in reliance on Regulation S and Registered Covered Bonds may be issued both outside the United States in reliance on Regulation S and within the United States in reliance on Rule 144A or section 4(2) under the Securities Act.

### **Bearer Covered Bonds**

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

- (a) if the Bearer Global Covered Bonds (as defined below) are issued in new global covered bond ("**NGCB**") form, as stated in the applicable Final Terms Document, be delivered on or prior to the issue date of the relevant Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"); and
- (b) if the Bearer Global Covered Bonds are not issued in NGCB form, be delivered on or prior to the issue date of the relevant Tranche to a common depository (the "**Common Depository**") for Euroclear and Clearstream, Luxembourg.

Bearer Covered Bonds will only be delivered outside the United States and its possessions.

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 such Bearer Covered Bond 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 issued in NGCB form) only outside the United States and its possessions and to the extent that certification (in a form to be provided by Euroclear and/or Clearstream, Luxembourg) to the effect that the beneficial owners of interests in such Bearer Covered Bond are not United States persons or persons who have purchased for resale to any United States 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.

Where the Bearer Global Covered Bonds issued in respect of any Tranche are in NGCB form, the relevant clearing system(s) will be notified whether or not such Bearer Global Covered Bonds are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Bearer Global Covered Bonds are to be so held does not necessarily mean that the Covered Bonds of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGCBs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

On and after the date (the "**Exchange Date**") which is 40 days after a Temporary Global Covered Bond is issued, interests in such Temporary Global Covered Bond will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a permanent global covered bond without Receipts, Coupons or Talons 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**") of the same Series or (b) for Bearer Definitive Covered Bonds of the same Series with, where applicable, Receipts, Coupons and Talons attached (as indicated in the applicable Final Terms Document and subject, in the case of Bearer Definitive Covered Bonds, to such notice period as is specified in the applicable Final Terms Document), in each case against certification of non-U.S. beneficial ownership as described above unless such certification has already been given. Purchasers in the United States and certain United States persons will not be able to receive Bearer Definitive Covered Bonds or interests in the Permanent Global Covered Bond. 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 outside the United States and its possessions and 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 issued in NGCB form) without any requirement for certification.

The applicable Final Terms Document 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, Receipts, Coupons and Talons attached upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, whether 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 Global Covered Bond (and any interests therein) exchanged for Bearer Definitive Covered Bonds. The Issuer will promptly give notice to 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 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

Bearer Global Covered Bonds, Bearer Definitive Covered Bonds and any Receipts, Coupons or Talons attached thereto will be issued pursuant to the Agency Agreement.

The following legend will appear on all Permanent Global Covered Bonds and Bearer Definitive Covered Bonds that have an original maturity of more than 365 days and on all Receipts, Coupons and Talons relating to such Permanent Global Covered Bonds and Bearer Definitive 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 persons (as defined for U.S. federal tax purposes), with certain exceptions, will not be entitled to deduct any loss on Bearer Covered Bonds, Receipts, Coupons or Talons and will not be entitled to capital gains treatment of any gain on any sale or other disposition in respect of such Bearer Covered Bonds, Receipts, 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 will initially be represented by a global covered bond in registered form (a "**Regulation S Global Covered Bond**"). Prior to expiry of the Distribution Compliance Period applicable to each Tranche of Covered Bonds, beneficial interests in a Regulation S Global Covered Bond may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 (*Transfers of Registered Covered Bonds*) and may not be held otherwise than through Euroclear or Clearstream, Luxembourg, and such Regulation S Global Covered Bond will bear a legend regarding such restrictions on transfer (see "*Subscription and Sale and Transfer and Selling Restrictions*").

The Registered Covered Bonds of each Tranche offered and sold in the United States or to U.S. persons will only be offered and sold in private transactions to QIBs who agree to purchase the Covered Bonds for their own account and not with a view to the distribution thereof.

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

Registered Global Covered Bonds will either (i) be deposited with a custodian for DTC, and registered in the name of a nominee of DTC or (ii) be deposited with the Common Depositary or Common Safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, and registered in the name of a nominee of the Common Depositary or in the name of a nominee of the Common Safekeeper, as the case may be, as specified in the applicable Final Terms Document. In the case of a Regulation S Global Covered Bond registered in the name of a nominee of DTC, prior to the end of the distribution compliance period (as defined in Regulation S) applicable to the Covered Bonds represented by such Regulation S Global Covered Bond, interests in such Regulation S Global Covered Bond may only be held through the accounts of Euroclear and Clearstream, Luxembourg.

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

Payments of principal, interest and any other amount in respect of the Registered Global Covered Bonds will, in the absence of any provision to the contrary, be made to the person shown on the Register (as defined in Condition 5.4 (*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 5.4 (*Payments in respect of Registered Covered Bonds*)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for Registered Definitive Covered Bonds without Receipts, Coupons or Talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (a) in the case of a Registered Global Covered Bond registered in the name of DTC or its nominee, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depositary for the Covered Bonds and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act, (b) in the case of a Registered Global Covered Bond registered in the name of a nominee of the Common Depositary or in the name of a nominee of the Common Safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, whether 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 (c) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Registered Global Covered Bond (and any interests therein) exchanged for Registered Definitive Covered Bonds. The Issuer will promptly give notice to Covered Bondholders of each Series of Registered Global Covered Bonds in accordance with Condition 13 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any registered holder of an interest in such Registered Global Covered Bond) or the Bond Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (c) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

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

## **Transfer of Interests**

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

## **General**

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

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

For the avoidance of doubt, any reference herein to a common safekeeper may include Euroclear, Clearstream, Luxembourg, the Principal Paying Agent or any third party common safekeeper designated as such by Euroclear or Clearstream, Luxembourg.

No Covered Bondholder, Receiptholder 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.



## FORM OF FINAL TERMS DOCUMENT

[Date]

**Santander UK plc**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds]  
unconditionally guaranteed by Santander UK plc and  
irrevocably and unconditionally guaranteed as to payment of principal and interest by  
Abbey Covered Bonds LLP  
under the €35 billion  
Global Covered Bond Programme**

**[MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET]** – Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (an "**EEA distributor**") should take into consideration the manufacturers’ target market assessment; however, an EEA 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.]

**[UK MiFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET]** – Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties only, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of U.K. domestic law by virtue of the EUWA ("**UK MiFIR**"); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "**UK distributor**") should take into consideration the manufacturers’ target market assessment; however, a UK distributor subject to FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.]

**[IMPORTANT – PROHIBITION OF SALES TO UK RETAIL INVESTORS:** The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "**U.K.**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of U.K. domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of U.K. domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of U.K. domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the U.K. has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the U.K. may be unlawful under the UK PRIIPs Regulation.]

**[IMPORTANT – PROHIBITION OF SALES TO EEA RETAIL INVESTORS:** The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**EU PRIIPs Regulation**") for

offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.]

## PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Prospectus dated [●] 2021 [and the supplemental prospectus[es] dated [●] and [●]] which [together] constitute[s] a base prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of U.K. domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"). This document constitutes the final terms of the Covered Bonds described herein for the purposes of the UK Prospectus Regulation and must be read in conjunction with the Prospectus [as supplemented] in order to obtain all the relevant information. Full information on the Issuer and the LLP and the offer of the Covered Bonds is only available on the basis of the combination of this Final Terms Document and the Prospectus dated [●][and the supplemental prospectus[es] dated [●] and [●]]. Copies of the Prospectus [and supplemental prospectus[es]] are available for viewing at <https://www.santander.co.uk/about-santander/investor-relations/santander-uk-covered-bonds> or may be provided by the relevant Paying Agent by email following prior written request to the relevant Paying Agent.

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "**Terms and Conditions**") set forth in the prospectus dated [●][and the supplemental prospectus[es] dated [●] and [●]] which are incorporated by reference in the Prospectus dated [●] 2021. This document constitutes the final terms of the Covered Bonds described herein for the purposes of Regulation (EU) 2017/1129 as it forms part of U.K. domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"), and must be read in conjunction with the Prospectus dated [●] 2021 [as supplemented], which constitutes a base prospectus for the purposes of the UK Prospectus Regulation. 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 this Final Terms Document and the Prospectus dated [●] [as supplemented]. Copies of the Prospectus [and supplemental prospectus[es]] are available for viewing at <https://www.santander.co.uk/about-santander/investor-relations/santander-uk-covered-bonds> or may be provided by the relevant Paying Agent by email following prior written request to the relevant Paying Agent.]

- |    |     |  |                                   |
|----|-----|--|-----------------------------------|
| 1. | (a) | Issuer:  | Santander UK plc                  |
|    | (b) | Guarantor:   | Abbey Covered Bonds LLP           |
| 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. |     | Money Market Covered Bonds:  | [Yes/No]                          |
| 5. |     | Do the Covered Bonds have the benefit of remarketing arrangements:   | [Yes/No]                          |
|    |     |  | If yes:                           |
|    |     | Name of Remarketing Bank:  | [●]                               |

- Name of Conditional Purchaser: [●]
- Transfer Date: [●]
- Other details: [●]
6. Aggregate Nominal Amount of Covered Bonds admitted to trading:
- [(a) Series: [●]]
- [(b) Tranche: [●]]
7. Issue Price: [●] per cent. of the aggregate nominal amount [plus accrued interest from [●] (if applicable)]
8. (a) 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]]/At least [\$100,000 (and no less than the equivalent of €100,000) and integral multiples of \$1,000 in excess thereof (or the U.S. dollar equivalent for Rule 144A Covered Bonds issued in a currency other than U.S. dollars)]
- (b) Calculation Amount: [●]
9. (a) Issue Date: [●]
- (b) Interest Commencement Date: [●]/[Issue Date]/[Not Applicable]
10. (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]
11. Interest Basis: [[●] per cent. Fixed Rate]
- [[Compounded Daily SONIA/ Compounded Daily SOFR/ Compounded Daily €STR/ EURIBOR/ NIBOR] +/- [●] per cent. Floating Rate] [where Compounded Daily [SONIA/SOFR/€STR] means [●]] [where [●] means [●]]
- [Zero Coupon]
- [except with respect to the first Interest Period from and including the Issue Date to but excluding the first Interest Payment Date, which shall be determined on the basis of a linear interpolation between [●] [EURIBOR/ NIBOR] and [●] [EURIBOR/ NIBOR] +/- [●] per cent. [Floating Rate][Fixed Rate]
- (further particulars specified below)

12. Redemption/Payment Basis: [Redemption at par]  
 [Instalment]  
 [Hard Bullet Covered Bonds]  
 [[●] per cent. of the nominal value]
13. Change of Interest Basis or Redemption/Payment Basis: [●]/[in accordance with paragraphs 17 and 18 below]
14. Put/Call Options: [Investor Put]  
 [Issuer Call]  
 [Not Applicable]
15. (a) Status of the Covered Bonds: Senior  
 (b) Date [Board] approval for issuance of Covered Bonds obtained: [●]
16. Method of distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

17. Fixed Rate Covered Bond Provisions: [Applicable/Not Applicable]
- (a) Rate(s) of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/ [●] in arrear]
- (b) Interest Payment Date(s): [[●] in each year up to and including the Final Maturity Date or the Extended Due for Payment Date, if applicable]/[●]
- (c) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Modified Preceding Business Day Convention]
- (d) Business Day(s): [●]  
 Additional Business Centre(s): [●]/[Not Applicable]
- (e) Fixed Coupon Amount(s): [●] per Calculation Amount
- (f) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]/[Not Applicable]
- (g) Day Count Fraction: [30/360]/[Actual/Actual]  
 [(ICMA)/(ISDA)]/[Actual/365 (Fixed)]/[Actual/365 (Sterling)]/[Actual/360]/[360/360]/[Bond Basis]/[30E/360]/[Eurobond Basis]/[30E/360 (ISDA)]/[●]  
 [adjusted/not adjusted]

- (h) Determination Date(s):  in each year/[Not Applicable]
18. Floating Rate Covered Bond Provisions:  Applicable/[Not Applicable]
- (a) Interest Period(s):
- (b) Specified Interest Payment Dates:
- (c) First Interest Payment Date:
- (d) Business Day Convention:  Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Modified Preceding Business Day Convention]
- (e) Business Day(s):
- Additional Business Centre(s):
- (f) Manner in which the Rate of Interest and Interest Amount is to be determined:  Screen Rate Determination/ISDA Determination]
- (g) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent):
- (h) Screen Rate Determination:  Applicable/[Not Applicable]
- Reference Rate:  Compounded Daily SONIA]  Compounded Daily SOFR]  Compounded Daily €STR]  month]  EURIBOR]  NIBOR]
- Benchmark Administrator:  Name of Benchmark Administrator]/[Not Applicable]
- [As at the Issue Date, [name of benchmark administrator] [appears]/[does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (ESMA) pursuant to Article 36 of Regulation (EU) 2016/1011 (the EU Benchmarks Regulation).] [As far as the Issuer is aware, the transitional provisions in Article 51 of the EU Benchmarks Regulation apply, such that [name of benchmark administrator] is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).]
- [As at the Issue Date, [name of benchmark administrator] [appears]/[does not appear] on the register of administrators and benchmarks established and maintained by the Financial Conduct Authority (FCA) pursuant to Article 36 of Regulation (EU) 2016/1011 as it forms part of U.K. domestic law by virtue of the EUWA (the UK Benchmarks Regulation).]

[As far as the Issuer is aware, the transitional provisions in Article 51 of the UK Benchmarks Regulation apply, such that [name of benchmark administrator] is not currently required to obtain authorisation or registration (or, if located outside the United Kingdom, recognition, endorsement or equivalence).]

[As far as the Issuer is aware, [[insert benchmark] does not fall within the scope of the EU Benchmarks Regulation by virtue of Article 2 of the EU Benchmarks Regulation] OR [the transitional provisions in Article 51 of the EU Benchmarks Regulation apply], such that [name of administrator] is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).]\*]

[As far as the Issuer is aware, [[insert benchmark] does not fall within the scope of the UK Benchmarks Regulation by virtue of Article 2 of the UK Benchmarks Regulation] OR [the transitional provisions in Article 51 of the UK Benchmarks Regulation apply], such that [name of administrator] is not currently required to obtain authorisation or registration (or, if located outside the United Kingdom, recognition, endorsement or equivalence).]\*]

*\*To be inserted if prior statement is negative*

|                                 |   |
|---------------------------------|---|
| Interest Determination Date(s): | [●]/[The date that is [●] [London Business Days][U.S. Government Securities Business Days][TARGET Business Days] prior to the applicable Interest Payment Date in respect of the relevant Interest Period] <sup>1</sup> |
| Term Rate:                      | [Not Applicable/EURIBOR/NIBOR]  |
| Specified Time:                 | [[11.00 a.m./[●]] in the Relevant Financial Centre] / [Not Applicable]  |
| Relevant Financial Centre:      | [London/New York/[●]] / [Not Applicable]  |
| Overnight Rate:                 | [Applicable/Not Applicable]   |
| Index Determination:            | [Applicable/Not Applicable]   |
| Observation Method:             | [Not Applicable/Lag/Shift] [where [●] means [●]] (being no less than [●] [London Business   |

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<sup>1</sup> Not less than 5 unless otherwise agreed with the Principal Paying Agent.

Days] / [US Government Securities Business Days] / [TARGET Business Days]]

Observation Look-back Period: [[●]/[Not Applicable]] [unless otherwise agreed with the Principal Paying Agent or [●]] (being no less than [[5]/[●]<sup>2</sup> [London Business Days]/[U.S. Government Securities Business Days]/[TARGET Business Days]]) [where [●] means [●]]

Relevant Screen Page: [●]

(i) ISDA Determination: [Applicable/Not Applicable]

Floating Rate Option: [●]

Designated Maturity: [●]

Reset Date: [●]

(j) Margin(s): [+/-] [●] per cent. per annum

(k) Minimum Rate of Interest: [●] per cent. per annum

(l) Maximum Rate of Interest: [●] per cent. per annum

(m) Day Count Fraction: [Actual/Actual (ISDA)

Actual/365 (Fixed)

Actual/365 (Sterling)

Actual/360

30/360

30E/360

30E/360 (ISDA)

Other]

[adjusted/not adjusted]

19. Zero Coupon Covered Bond Provisions: [Applicable/Not Applicable]

(a) [Amortisation/Accrual] Yield: [●] per cent. per annum

(b) Reference Price: [●]

(c) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Modified Preceding Business Day Convention]

(d) Business Day(s): [●]

Additional Business Centre(s): [●]

(e) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 6.8(b) and 6.12(b) apply]

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<sup>2</sup> Not less than 5 unless otherwise agreed with the Principal Paying Agent.

## PROVISIONS RELATING TO REDEMPTION

20. Issuer Call: [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): [●]
- (b) Optional Redemption Amount of each Covered Bond and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [●] per Calculation Amount
- (ii) Maximum Redemption Amount: [●] per Calculation Amount
21. Investor Put: [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): [●]
- (b) Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (c) Notice Period: [●]
22. Final Redemption Amount of each Covered Bond: [●] per Calculation Amount
23. Early Redemption Amount of each Covered Bond payable on redemption for taxation reasons or on event of default, etc. and/or the method of calculating the same (if required): [●]

## GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

24. 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 only upon an Exchange Event]
- [Permanent Global Covered Bond exchangeable for Bearer Definitive Covered Bonds only after an Exchange Event]
- [Registered Covered Bonds:
- Regulation S Global Covered Bond (U.S.\$[●] nominal amount) registered in the name of a nominee for [DTC/a Common Depository for Euroclear and Clearstream, Luxembourg/a Common Safekeeper for Euroclear and Clearstream, Luxembourg]/Rule 144A Global Covered Bond (U.S.\$[●] nominal amount) registered in the name of a nominee of [DTC/a Common Depository for Euroclear and



Clearstream, Luxembourg/a Common Safekeeper for Euroclear and Clearstream, Luxembourg]

25. New Global Covered Bond: [Yes/No]
26. Financial Centre(s): [●]/[Not Applicable]
27. Talons for future Coupons or Receipts to be attached to Bearer Definitive Covered Bonds (and dates on which such Talons mature): [Yes, as the Covered Bonds have more than 27 Coupon payments, Talons may be required if, on exchange into definitive form, more than 27 Coupon payments are still to be made/No]
28. Details relating to Instalment Covered Bonds:
- (a) Instalment Amount(s): [Not Applicable/[●]]
- (b) Instalment Date(s): [Not Applicable/[●]]
29. Redenomination renominatisation and reconventioning provisions: [Not Applicable/The provisions in Condition 5.8 apply]
30. Post-Perfection SVR-SONIA Margin: [3.10 per cent.]/[●]

**DISTRIBUTION**

31. U.S. Selling Restrictions: [Reg. S Compliance Category. TEFRA C applicable; TEFRA D applicable; TEFRA not applicable]
- [Rule 144A]

**PURPOSE OF FINAL TERMS DOCUMENT**

This Final Terms Document comprises the final terms required for issue and admission to trading on the main market of the London Stock Exchange of the Covered Bonds described herein pursuant to the €35 billion Global Covered Bond Programme of Santander UK plc.

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING:

- (a) Listing and admission to trading: [Application has been made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on the main market of the London Stock Exchange and to be listed on the Official List of the FCA with effect from [●].]/ [Application is expected to be made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on the main market of the London Stock Exchange and to be listed on the Official List of the FCA with effect from [●].]
- (b) Estimate of total expenses related to admission to trading: [●]

### 2. RATINGS:

- Ratings: [The Covered Bonds to be issued [[have been]/[are expected to be]] rated:
- [S & P: [●]]  
(endorsed by [●])
- [Moody's: [●]]  
(endorsed by [●])
- [Fitch: [●]]  
(endorsed by [●])

### 3. COVERED BOND SWAP:

- Covered Bond Swap Provider: [●]
- Nature of Covered Bond Swap: [Forward Starting/Non-Forward Starting]

### 4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE:

[Save as discussed in "*Subscription and Sale and Transfer and Selling Restrictions*" [and for any fees [of [*insert relevant fee disclosure*]] payable to the Dealers], so far as the Issuer and the LLP are aware, no person involved in the offer of the Covered Bonds has an interest material to the offer. [*The Dealer(s)*] and [its/their] affiliates have engaged and may in the future engage in investment banking and/or commercial banking transactions with and may perform other services for the Issuer and/or the LLP and/or it or their affiliates in the ordinary course of business.]

### 5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (a) Reasons for the offer [See [*"Use of Proceeds"*] in the Prospectus/*Give details*]]
- (*See [*"Use of Proceeds"*] wording in Offering Circular – if reasons for offer different from*

what is disclosed in the Offering Circular, give details.)

(b) Estimated net proceeds [ ]

(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

(c) Estimated total expenses [ ]

[Expenses are required to be broken down into each principal intended "use" and presented in order of priority of such "uses".]

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.

7. **HISTORICAL INTEREST RATES: (Floating Rate Covered Bonds only)**

Details of historical [SONIA/SOFR/€STR/EURIBOR/NIBOR] rates can be obtained from [Reuters]/ [●].

8. **TRADABLE AMOUNTS:**

So long as the Covered Bonds are represented by a Global Covered Bond and [Euroclear Bank SA/NV/Clearstream Banking S.A./The Depository Trust Company/[●]] so permit, the Global Covered Bond shall be tradable in minimum principal amounts of [€100,000]/[specify equivalent to €100,000 if Global Covered Bond not denominated in euro] and integral multiples of [●] (the "Tradable Amount") in addition thereto.

9. **OPERATIONAL INFORMATION:**

(a) ISIN Code: [●]

(b) Common Code: [●]

(c) CFI Code: [[●]/Not Applicable, as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable]

(d) FISN: [[●]/Not Applicable, as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable]

[(e)] CUSIP Code: [●]/[Not Applicable]

[(f)] CINS Code: [●]/[Not Applicable]

[(g)] Any clearing system(s) other than DTC, Euroclear or Clearstream, Luxembourg and the relevant identification number(s): [●]/[Not Applicable]

[(h)] Delivery: Delivery [against/free of] payment

Name and address of Initial Paying Agent(s): [●]

Names and addresses of additional Paying Agent(s) (if any): [●]

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper.)]*include this text for registered covered bonds which are held under the NSS*] and does not necessarily mean that the Covered Bonds will be recognized as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.)

[No. Whilst the designation is specified as "no" at the date of this Final Terms Document, should the Eurosystem eligibility criteria be amended in the future such that the Covered Bonds are capable of meeting them the Covered Bonds may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper.)]*include this text for registered covered bonds*]. Note that this does not necessarily mean that the Covered Bonds will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.)

10. **U.S. TAX INFORMATION (144A OFFERINGS ONLY)**

- (a) Original Issue Discount: [Yes/No]
- (b) Contingent Payment Debt Instrument: [Yes/No]

Signed on behalf of the Issuer:

By: .....

*Duly authorised*

Signed on behalf of the LLP:

By: .....  
*Duly authorised*

## TERMS AND CONDITIONS OF THE COVERED BONDS

*The following are the Terms and Conditions of the Covered Bonds (with the exception of the N Covered Bonds) which will be incorporated by reference into, and (as completed by the applicable Final Terms Document in relation to a Tranche of Covered Bonds) apply to, each Global Covered Bond (as defined below) and each Definitive Covered Bond (as defined below), 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 Document (or the relevant provisions thereof) will be endorsed on, or attached to, each Global Covered Bond and Definitive Covered Bond. Reference should be made to "Form of Final Terms Document" for a description of the content of the Final Terms Document which will specify which of such terms are to apply in relation to the relevant Covered Bonds. References to "unlisted Covered Bonds" in the Terms and Conditions set out below shall be in relation to unlisted Covered Bonds which will not be issued pursuant to (and do not form part of) this Prospectus, and will not be issued pursuant to any Final Terms Document under this Prospectus.*

*In relation to the N Covered Bonds and any Series thereof, the terms and conditions of such N Covered Bonds shall be as set out in the N Covered Bond and the N Covered Bond Conditions attached as Schedule 1 thereto, together with the N Covered Bond Agreement.*

This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by Santander UK plc (the "**Issuer**") constituted by a trust deed (such trust deed as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 3 June 2005 (the "**Programme Date**") and as supplemented on 16 August 2005, 4 October 2007, 20 May 2008, 8 September 2009, 8 November 2010, 9 September 2011, 29 June 2012, 12 July 2013, 25 June 2014, 1 June 2016, 24 April 2018, 19 September 2018, 18 April 2019, 7 February 2020, 14 April 2020, 16 June 2020 and 30 April 2021 and made between, among others, the Issuer, Abbey Covered Bonds LLP (the "**LLP**") and Deutsche Trustee Company Limited as bond trustee (in such capacity, the "**Bond Trustee**", which expression shall include any successor as Bond Trustee) and as security trustee (in such capacity, the "**Security Trustee**", which expression shall include any successor as Security Trustee).

Save as provided for in Conditions 9 (*Events of Default, Acceleration 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) any global covered bond representing Covered Bonds (a "**Global Covered Bond**");
- (b) in relation to any Covered Bonds represented by a Global Covered Bond, units of the lowest Specified Denomination in the Specified Currency;
- (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**" and, together with Bearer Definitive Covered Bonds, "**Definitive Covered Bonds**") (whether or not issued in exchange for a Global Covered Bond in registered form).

The Covered Bonds, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an agency agreement (such agency agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated the Programme Date as amended and restated on or about 25 June 2014 and made between, among others, the Issuer, the LLP, the Bond Trustee, the Security Trustee, Deutsche Bank AG, London Branch, as issuing and principal paying agent and agent bank (in such capacity, the "**Principal Paying Agent**", which expression shall include any successor principal paying agent and, together with the Registrar, the "**Paying Agents**", which expression shall include any additional or successor paying agents) and Deutsche Bank Trust Company Americas as registrar (the "**Registrar**", which expression shall include any successor registrar, and, together with any transfer agent appointed thereunder, the "**Transfer Agents**", which expression shall include any successor transfer agents) and as exchange agent (in such capacity, the "**Exchange Agent**", which expression shall include any successor exchange agent, and together with the Paying Agents, the Transfer Agents and any Calculation Agent referred to below, the "**Agents**").

Interest-bearing Bearer Definitive Covered Bonds have (unless otherwise indicated in the applicable Final Terms Document) interest coupons ("**Coupons**") and, if indicated in the applicable Final Terms Document, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Bearer Definitive Covered Bonds repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Covered Bonds and Global Covered Bonds do not have Receipts, Coupons or Talons attached on issue.

The Final Terms Document for the Covered Bonds (or the relevant provisions thereof) is endorsed on or attached to this Covered Bond and completes these Terms and Conditions (the "**Terms and Conditions**" or the "**Conditions**"). References to the "**applicable Final Terms Document**" are to the Final Terms Document (or the relevant provisions thereof) endorsed on or attached to this Covered Bond.

The Bond Trustee acts for the benefit of the holders for the time being of the Covered Bonds (the "**Covered Bondholders**", which expression shall, in relation to any Covered Bonds represented by a Global Covered Bond, be construed as provided below), the holders of the Receipts (the "**Receiptholders**") and the holders of the Coupons (the "**Couponholders**", which expression shall, unless the context otherwise requires, include the holders of the Talons), and for the 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 admission to trading) and "**Series**" means a Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

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, but only after service of a Notice to Pay on the LLP following service of an Issuer Acceleration Notice on the Issuer (after the occurrence of an Issuer Event of Default) or service of an LLP Acceleration Notice on the LLP (after the occurrence of an LLP Event of Default).

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

These Terms and 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 may be provided by email to a Covered Bondholder following prior written request to the Bond Trustee or the relevant Paying Agent and provision of proof of holding and identity (in form satisfactory to the Bond Trustee or the relevant Paying Agent, as the case may be). Copies of the applicable Final Terms Document for all Covered Bonds of each Series (including in relation to unlisted Covered Bonds of any Series) are obtainable on the website of the Issuer at <https://www.santander.co.uk/about-santander/investor-relations/santander-uk-covered-bonds> or may be provided by the relevant Paying Agent by email following prior written request to the relevant Paying Agent. The N Covered Bonds (including the N Covered Bonds Conditions attached as Schedule 1 thereto and the Form of Assignment and Accession Agreement attached as Schedule 2 thereto) will only be available for inspection by a holder of such N Covered Bond **provided that** such holder produces evidence satisfactory to the Issuer and the Paying Agent as to its holding of such N Covered Bond and its identity. The Covered Bondholders, the Receiptholders 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 Document which are applicable to them and to have notice of each of the Final Terms Documents relating to each other Series.

Except where the context otherwise requires, capitalised terms used and not otherwise defined in these Terms and Conditions (including the preceding paragraphs) shall bear the meanings given to them in the applicable Final Terms Document and/or the master definitions and construction agreement made between the parties to the Transaction Documents on or about the Programme Date (as amended and/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 Document and, in the case of Definitive Covered Bonds, 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*.

The Covered Bonds in this Series may be Fixed Rate Covered Bonds, Floating Rate Covered Bonds, Zero Coupon Covered Bonds or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms Document. Prior to issuing this Series of Covered Bonds (if such Covered Bonds are not Fixed Rate Covered Bonds or Floating Rate Covered Bonds), the Issuer has obtained confirmation from each of the Rating Agencies that the Covered Bonds of this Series will have the same ratings as the ratings of the Covered Bonds of all Series then outstanding and that the ratings of the Covered Bonds of all Series then outstanding will not be adversely affected or withdrawn as a result of the issuance of this Series of Covered Bonds.

The Issuer will not issue unlisted Covered Bonds without first agreeing certain conditions precedent to their issue with the Rating Agencies and will not issue Covered Bonds that are not principal-protected.

The Covered Bonds in this Series may be Instalment Covered Bonds, Hard Bullet Covered Bonds or a combination of either of the foregoing depending upon the Redemption/Payment Basis shown in the applicable Final Terms Document. The Covered Bonds in this Series will be Money Market Covered Bonds if so shown in the applicable Final Terms Document.

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 Terms and Conditions are not applicable.

Bearer Definitive Covered Bonds are issued with Receipts, unless they are not Instalment Covered Bonds in which case references to Receipts and Receiptholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Bearer Covered Bonds, Receipts 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, Receipt 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 depository or common safekeeper for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and/or The Depository Trust Company ("**DTC**") or its nominee, each person (other than Euroclear, Clearstream, Luxembourg or DTC) who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a particular nominal amount of such Covered Bonds (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg or DTC as to the nominal amount of such Covered Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the



case of manifest error and any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including, without limitation, Euroclear's EUCLID or Clearstream's Cedcom system) in accordance with its usual procedures and in which the holder of a particular nominal amount of the Covered Bonds is clearly identified with the amount of such holding) shall be treated by the Issuer, the LLP, the Paying Agents, the Security Trustee and the Bond Trustee as the holder of such nominal amount of such Covered Bonds for all purposes other than with respect to the payment of principal or interest or other amounts on such nominal amount of such Covered Bonds, and, in the case of DTC or its nominee, voting, giving consents and making requests, for which purpose the bearer of the relevant Bearer Global Covered Bond or the registered holder of the relevant Registered Global Covered Bond shall be treated by the Issuer, the LLP, any Paying Agent, the Security Trustee and the Bond Trustee as the holder of such nominal amount of such Covered Bonds in accordance with and subject to the terms of the relevant Global Covered Bond and the expressions "**Covered Bondholder**" and "**holder of Covered Bonds**" 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, Clearstream, Luxembourg and DTC or any other relevant clearing system, as the case may be.

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

## 2. **Transfers of Registered Covered Bonds**

### 2.1 ***Transfers of interests in Registered Global Covered Bonds***

Transfers of beneficial interests in Registered Global Covered Bonds will be effected by Euroclear, Clearstream, Luxembourg or DTC, 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. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Covered Bonds represented by a Registered Global Covered Bond to such persons may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Covered Bonds represented by a Registered Global Covered Bond accepted by DTC to pledge such Covered Bonds to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Covered Bonds may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form. A beneficial interest in a Registered Global Covered Bond will, subject to compliance with all applicable legal and regulatory restrictions, be exchangeable for Registered Definitive Covered Bonds or for a beneficial interest in another Registered Global Covered Bond only in the authorised denominations set out in the applicable Final Terms Document and only in accordance with the rules and operating procedures for the time being of Euroclear, Clearstream, Luxembourg or DTC, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Rule 144A Global Covered Bond registered in the name of a nominee for DTC shall be limited to transfers of such Rule 144A Global Covered Bond, in whole but not in part, to another nominee of DTC or to a successor of DTC or to such successor's nominee.

### 2.2 ***Transfers of Registered Covered Bonds in definitive form***

Subject as provided in Conditions 2.3 (*Registration of transfer upon partial redemption*), 2.4 (*Costs of registration*), 2.5 (*Transfers of interests in Regulation S Global Covered Bonds in the United States or to U.S. persons*) and 2.6 (*Transfers of interests in Rule 144A Covered Bonds*), upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Definitive Covered Bond may be transferred in whole or in part in the authorised denominations set out in the applicable Final Terms Document. In order to effect any such transfer (a) the holder

or holders must (i) 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 (ii) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent, and (b) 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 the Agency Agreement).

Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail to such address as the transferee may request, a new Registered Definitive Covered Bond of a like aggregate nominal amount to the Registered Definitive Covered Bond (or the relevant part of the Registered Definitive Covered Bond) transferred.

In the case of the transfer of part only of a Registered Definitive Covered Bond, a new Registered Definitive Covered Bond in respect of the balance of the Registered Definitive Covered Bond not transferred will (in addition to the new Registered Definitive Covered Bond in respect of the nominal amount transferred) be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to the address specified by the transferor.

### 2.3 ***Registration of transfer upon partial redemption***

In the event of a partial redemption of Covered Bonds under Condition 6 (*Redemption and Purchase*), the Issuer shall not be required to register the transfer of any Registered Covered Bond, or part of a Registered Covered Bond, called for partial redemption.

### 2.4 ***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, Registrar or Transfer Agent may require the payment of a sum sufficient to cover any stamp duty, Taxes or any other governmental charge that may be imposed in relation to the registration.

### 2.5 ***Transfers of interests in Regulation S Global Covered Bonds in the United States or to U.S. persons***

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

- (a) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate with the consent of the Issuer (a "**Transfer Certificate**"), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Covered Bond or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or
- (b) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

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

Such transferee may only take delivery through a Rule 144A Covered Bond. Prior to the end of the applicable Distribution Compliance Period, beneficial interests in Regulation S Covered Bonds registered in the name of a nominee for DTC may only be held through the accounts of Euroclear and Clearstream, Luxembourg. After expiry of the applicable Distribution Compliance Period (i) beneficial interests in Regulation S Global Covered Bonds registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certification requirements will no longer apply to such transfers.

## 2.6 *Transfers of interests in Rule 144A Covered Bonds*

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

- (a) to a transferee who takes delivery of such interest through a Regulation S Covered Bond, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, in the case of a Regulation S Global Covered Bond registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Covered Bonds being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg;
- (b) to a transferee who takes delivery of such interest through a Rule 144A Covered Bond, where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
- (c) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

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

Upon the transfer, exchange or replacement of Rule 144A Covered Bonds, or upon specific request for removal of any United States securities law legend on Rule 144A Covered Bonds, the Registrar shall deliver only Rule 144A Covered Bonds or refuse to remove the legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

## 2.7 *Definitions*

In these Terms and Conditions, the following expressions shall have the following meanings:

**"Definitive Regulation S Covered Bond"** means a Registered Covered Bond sold to non-U.S. persons outside the United States in reliance on Regulation S, which is in definitive form;

**"Definitive Rule 144A Covered Bond"** means a Registered Covered Bond sold in the United States to QIBs in reliance on Rule 144A, which is in definitive form;

**"Distribution Compliance Period"** means the period that ends 40 days after the later of the commencement of the offering and the Issue Date;

**"QIB"** means a "qualified institutional buyer" within the meaning of Rule 144A;

**"Regulation S"** means Regulation S under the Securities Act;

**"Regulation S Covered Bond"** means a Covered Bond represented by a Regulation S Global Covered Bond or a Definitive Regulation S Covered Bond;

**"Regulation S Global Covered Bond"** means a Registered Global Covered Bond representing Covered Bonds sold to non-U.S. persons outside the United States in reliance on Regulation S;

**"Rule 144A"** means Rule 144A under the Securities Act;

**"Rule 144A Covered Bond"** means a Covered Bond represented by a Rule 144A Global Covered Bond or a Definitive Rule 144A Covered Bond;

**"Rule 144A Global Covered Bond"** means a Registered Global Covered Bond representing Covered Bonds sold in the United States to QIBs in reliance on Rule 144A; and

**"Securities Act"** means the United States Securities Act of 1933, as amended.

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

#### 3.1 ***Status of the Covered Bonds***

The Covered Bonds and any relative Receipts and Coupons constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, other than any obligations preferred by mandatory provisions of applicable law.

#### 3.2 ***Status of the Covered Bond Guarantee***

The payment of Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment has been unconditionally and irrevocably guaranteed by the LLP pursuant to a guarantee (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 when the same shall become Due for Payment under the Covered Bonds or the Trust Deed until service of a Notice to Pay by the Bond Trustee on the LLP (which the Bond Trustee will be required to serve following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice by the Bond Trustee on the Issuer) or, if earlier, the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice by the Bond Trustee on the LLP. The obligations of the LLP under the Covered Bond Guarantee are, subject as aforesaid, direct, unconditional and unsubordinated obligations of the LLP, which are secured as provided in the Deed of Charge.

Any payment made by the LLP under the Covered Bond Guarantee shall (unless such obligation shall have been discharged as a result of the payment of Excess Proceeds to the Bond Trustee pursuant to Condition 9 (*Events of Default, Acceleration and Enforcement*)) discharge *pro tanto* the obligations of the Issuer in respect of such payment under the Covered Bonds, Receipts and Coupons, except where such payment by the LLP has been declared void, voidable or otherwise recoverable in whole or in part and recovered from the Bond Trustee or the Covered Bondholders.

As security for the LLP's obligations under the Covered Bond Guarantee and the other Transaction Documents to which it is a party, the LLP has granted fixed and floating security over all of its assets under the Deed of Charge in favour of the Security Trustee (for itself and on behalf of the other Secured Creditors).

### 4. **Interest**

#### 4.1 ***Interest on Fixed Rate Covered Bonds***

Each Fixed Rate Covered Bond bears interest on its Principal Amount Outstanding (as defined in Condition 4.5 (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*)), but subject to Condition 4.3 (*Interest following a Notice to Pay*)) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable, subject as provided in these Terms and Conditions, in arrear on the Interest Payment Date(s) in each year up to (and including) the Final Maturity Date.

If the Covered Bonds are in definitive form, except as provided in the applicable Final Terms Document, the amount of interest payable on each Interest Payment Date in respect of the Interest

Period (as defined in Condition 4.5 (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*)) ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms Document, amount to the Broken Amount so specified.

Except in the case of Covered Bonds in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms Document, 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 Calculation Amount; and in each case, multiplying such sum by the applicable Day Count Fraction (as defined in Condition 4.5 (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*)), and rounding the resultant figure to the nearest sub-unit (as defined in Condition 4.5 (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*)) 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 comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Covered Bond shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

#### 4.2 ***Interest on Floating Rate Covered Bonds***

##### (a) ***Interest Payment Dates***

Each Floating Rate Covered Bond bears interest on its Principal Amount Outstanding (subject to Condition 4.3 (*Interest following a Notice to Pay*)) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms Document; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms Document, 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 Document 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.

##### (b) ***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 Document.

##### (i) **ISDA Determination for Floating Rate Covered Bonds**

Where ISDA Determination is specified in the applicable Final Terms Document 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 Document) the Margin (if any). For the purposes of this subparagraph (i), "**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 Document 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:

- (A) the Floating Rate Option is as specified in the applicable Final Terms Document;
- (B) the Designated Maturity is the period specified in the applicable Final Terms Document; and
- (C) unless otherwise stated in the applicable Final Terms Document, the relevant Reset Date is the first day of that Interest Period.

For the purposes of this subparagraph (i), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

- (ii) Screen Rate Determination for Floating Rate Covered Bonds

## SONIA

### Compounded Daily SONIA (Non-Index Determination)

Where **Screen Rate Determination** and **Overnight Rate** are specified as "Applicable", the **Reference Rate** is specified as being "Compounded Daily SONIA" and **Index Determination** is specified as "Not Applicable" for a Floating Rate Covered Bond in the applicable Final Terms Document, the following provisions shall apply and 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 Document) the Margin (if any), as 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 Document).

**Compounded Daily SONIA** means, in relation to an Interest Period, the rate of return of a daily compound interest investment (with the daily Sterling Overnight Index Average as the 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 Document) on the Interest Determination Date (i) as further specified in the applicable Final Terms Document; or (ii) in accordance with the following formula, and the resulting percentage will be rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards:

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

where:

**d** means the number of calendar days in:

- (a) where in the applicable Final Terms Document "Lag" is specified as the Observation Method, the relevant Interest Period; or
- (b) where in the applicable Final Terms Document "Shift" is specified as the Observation Method, the relevant SONIA Observation Period;

**Daily SONIA** means (save as specified in the applicable Final Terms Document), in respect of any London Business Day:

- (a) where in the applicable Final Terms Document "Lag" is specified as the Observation Method,  $SONIA_{i-pLBD}$ ; or

- (b) where in the applicable Final Terms Document "Shift" is specified as the Observation Method, *SONIA<sub>i</sub>*;

*d<sub>o</sub>* means the number of London Business Days in:

- (a) where in the applicable Final Terms Document "Lag" is specified as the Observation Method, the relevant Interest Period; or
- (b) where in the applicable Final Terms Document "Shift" is specified as the Observation Method, the relevant SONIA Observation Period;

*i* means a series of whole numbers from 1 to *d<sub>o</sub>*, each representing the relevant London Business Day in chronological order from (and including) the first London Business Day in:

- (a) where in the applicable Final Terms Document "Lag" is specified as the Observation Method, in the relevant Interest Period; or
- (b) where in the applicable Final Terms Document "Shift" is specified as the Observation Method, the relevant SONIA Observation Period;

**London Business Day** or **LBD** means any day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

*n<sub>i</sub>*, for any London Business Day *i*, means the number of calendar days from (and including) such London Business Day up to (but excluding), the following London Business Day;

*p* means the number of London Business Days included in the "Observation Look-back Period" specified in the applicable Final Terms Document;

**SONIA Observation Period** means, in respect of each Interest Period, the period from (and including) the date falling *p* London Business Days prior to the first day of the relevant Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) to (but excluding) the date falling *p* London Business Days prior to the Interest Payment Date for such Interest Period (or the date falling *p* London Business Days prior to such earlier date, if any, on which the Floating Rate Covered Bonds become due and payable);

**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);

*SONIA<sub>i</sub>* means (save as specified in the applicable Final Terms Document) in respect of any London Business Day *i* falling in the relevant SONIA Observation Period, the SONIA reference rate for such day; and

*SONIA<sub>i-pLBD</sub>* means (save as specified in the applicable Final Terms Document) in respect of any London Business Day *i* falling in the relevant Interest Period, the SONIA reference rate for the London Business Day falling *p* London Business Days prior to such day.

#### **Compounded Daily SONIA (Index Determination)**

Where **Screen Rate Determination**, **Overnight Rate** and **Index Determination** are specified as "Applicable" and the **Reference Rate** is

specified as being "Compounded Daily SONIA" for a Floating Rate Covered Bond in the applicable Final Terms Document, the following provisions shall apply and 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 Document) the Margin (if any), as 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 Document).

**Compounded Daily SONIA** means, in relation to an Interest Period, the rate of return of a daily compound interest investment (with the daily Sterling Overnight Index Average as the 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 Document) on the Interest Determination Date (i) as further specified in the applicable Final Terms Document; (ii) by reference to the screen rate or index for compounded daily SONIA rates administered by the administrator of the SONIA reference rate that is published or displayed by such administrator or other information service from time to time on the relevant Interest Determination Date, as further specified in the applicable Final Terms Document (the "**SONIA Index**"); or (iii) in accordance with the following formula, and the resulting percentage will be rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards:

$$\left( \frac{SONIA\ Index_{End}}{SONIA\ Index_{Start}} - 1 \right) \times \frac{365}{d}$$

where:

*d* means the number of calendar days from (and including) the day in relation to which SONIA Index<sub>Start</sub> is determined to (but excluding) the day in relation to which SONIA Index<sub>End</sub> is determined;

**London Business Day** or **LBD** means any day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

*p* means the number of London Business Days included in the "Observation Look-back Period" specified in the applicable Final Terms Document;

**SONIA Index** *Start* means, with respect to an Interest Period, the SONIA Index value for the day which is *p* London Business Days prior to the first day of such Interest Period; and

**SONIA Index** *End* means, with respect to an Interest Period, the SONIA Index value for the day which is *p* London Business Days prior to (A) the Interest Payment Date for such Interest Period, or (B) such other date on which the relevant payment of interest falls due (but which by its definition or the operation of the relevant provisions is excluded from such Interest Period).

If, as at any relevant Interest Determination Date, the relevant SONIA Index is not published or displayed by the administrator of the SONIA reference rate or other information service by 5.00 p.m. (London time) (or, if later, by the time falling one hour after the customary or scheduled time for publication thereof in accordance with the then-prevailing operational procedures of the administrator of the SONIA reference rate or of such other information service, as the case may be), the Compounded Daily SONIA for the applicable Interest Period for which the relevant SONIA Index is not available shall be "Compounded Daily SONIA" determined as set out under the section entitled "Compounded Daily SONIA (Non-Index Determination)" above and as if Index Determination were specified in the applicable Final Terms Document as being "Not Applicable",



and for these purposes: (i) the "Observation Method" shall be deemed to be "Shift"; and (ii) the "Observation Look-Back Period" shall be deemed to be equal to  $p$  London Business Days, as if such alternative elections had been made in the applicable Final Terms Document.

If, in respect of any London Business Day in the relevant SONIA Observation Period or the relevant Interest Period (as the case may be), the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms Document) determines that the SONIA reference rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA reference rate shall be: (i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant London Business Day; plus (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five London Business Days on which a SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate.

Notwithstanding the paragraph above, in the event the Bank of England publishes guidance as to (i) how the SONIA reference rate is to be determined; or (ii) any rate that is to replace the SONIA reference rate, the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms Document) 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 Daily SONIA for the purpose of the relevant Series of Floating Rate Covered Bonds for so long as the SONIA reference rate is not available or has not been published by the authorised distributors. To the extent that any amendments or modifications to the Conditions or the Transaction Documents are required in order for the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms Document) to follow such guidance in order to determine Daily SONIA, the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms Document) shall have no obligation to act until such amendments or modifications have been made in accordance with the Conditions and the Transaction Documents.

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms Document), the Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period); or (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Floating Rate Covered Bonds for the first Interest Period had the Floating Rate Covered Bonds been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Period).

If the relevant Series of Floating Rate Covered Bonds become due and payable in accordance with Condition 9 (*Events of Default, Acceleration and Enforcement*), the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Final Terms Document,

be deemed to be the date on which such Floating Rate Covered Bonds became due and payable and the Rate of Interest on such Floating Rate Covered Bonds shall, for so long as any such Floating Rate Covered Bond remains outstanding, be that determined on such date.

## **SOFR**

### **Compounded Daily SOFR (Non-Index Determination)**

Where **Screen Rate Determination** and **Overnight Rate** are specified as "Applicable", the **Reference Rate** is specified as being "Compounded Daily SOFR" and **Index Determination** is specified as "Not Applicable" for a Floating Rate Covered Bond in the applicable Final Terms Document, the following provisions shall apply and the Rate of Interest for each Interest Period will, subject as provided below, be Compounded Daily SOFR plus or minus (as indicated in the applicable Final Terms Document) the Margin (if any) as 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 Document).

**Compounded Daily SOFR** means, in relation to an Interest Period, the rate of return of a daily compound interest investment (with the daily Secured Overnight Financing Rate as the 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 Document) on the Interest Determination Date (i) as further specified in the applicable Final Terms Document; or (ii) in accordance with the following formula, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[ \prod_{i=1}^{d_o} \left( 1 + \frac{\text{Daily SOFR} \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

where:

**Benchmark Replacement Date** has the meaning given in the Benchmark Transition Provisions;

**Benchmark Transition Event** has the meaning given in the Benchmark Transition Provisions;

**Benchmark Transition Provisions** means the provisions specified in Condition 14(g);

**d** means the number of calendar days in:

- (a) where in the applicable Final Terms Document "Lag" is specified as the Observation Method, the relevant Interest Period; or
- (b) where in the applicable Final Terms Document "Shift" is specified as the Observation Method, the relevant SOFR Observation Period;

**Daily SOFR** means (save as specified in the applicable Final Terms Document), in respect of any U.S. Government Securities Business Day:

- (a) where in the applicable Final Terms Document "Lag" is specified as the Observation Method,  $SOFR_{i-pUSBD}$ ; or
- (b) where in the applicable Final Terms Document "Shift" is specified as the Observation Method,  $SOFR_i$ ;

*d<sub>o</sub>* means the number of U.S. Government Securities Business Days in:

- (a) where in the applicable Final Terms Document "Lag" is specified as the Observation Method, the relevant Interest Period; or
- (b) where in the applicable Final Terms Document "Shift" is specified as the Observation Method, the relevant SOFR Observation Period;

*i* means a series of whole numbers from 1 to *d<sub>o</sub>*, each representing the relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in:

- (a) where in the applicable Final Terms Document "Lag" is specified as the Observation Method, the relevant Interest Period; or
- (b) where in the applicable Final Terms Document "Shift" is specified as the Observation Method, the relevant SOFR Observation Period;

*n<sub>i</sub>*, for any U.S. Government Securities Business Day *i*, means the number of calendar days from (and including) such U.S. Government Securities Business Day up to (but excluding) the following U.S. Government Securities Business Day;

*p* means the number of U.S. Government Securities Business Days included in the "Observation Look-back Period" specified in the applicable Final Terms Document;

***SOFR Administrator*** means the Federal Reserve Bank of New York, or a successor administrator of SOFR;

***SOFR Administrator's Website*** means the website of the SOFR Administrator, currently at <http://www.newyorkfed.org>, or any successor website of the SOFR Administrator or the website of any successor SOFR Administrator;

***SOFR Determination Time*** means, with respect to any U.S. Government Securities Business Day, 3:00 p.m. (New York City time) on such U.S. Government Securities Business Day;

***SOFR Observation Period*** means, in respect of each Interest Period, the period from (and including) the date falling *p* U.S. Government Securities Business Days prior to the first day of the relevant Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) to (but excluding) the date falling *p* U.S. Government Securities Business Days prior to the Interest Payment Date for such Interest Period (or the date falling *p* U.S. Government Securities Business Days prior to such earlier date, if any, on which the Floating Rate Covered Bonds become due and payable);

***SOFR reference rate*** means, in respect of any U.S. Government Securities Business Day, the rate determined in accordance with the following provisions:

- (a) the Secured Overnight Financing Rate ("**SOFR**") that appears on the SOFR Administrator's Website on the immediately following U.S. Government Securities Business Day at the SOFR Determination Time; and
- (b) if the rate specified in paragraph (a) above does not so appear at the SOFR Determination Time, then:
  - (i) if a Benchmark Transition Event and its related Benchmark Replacement Date have not occurred with respect to SOFR, then the Principal Paying Agent (or such other party responsible for the calculation of the rate of interest, as specified in the

applicable Final Terms Document) shall use the SOFR published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day on which the SOFR was published on the SOFR Administrator's Website; or

- (ii) if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred in respect of SOFR, then the SOFR reference rate shall be the rate determined pursuant to the Benchmark Transition Provisions;

**SOFR<sub>i</sub>** means (save as specified in the applicable Final Terms Document) in respect of any U.S. Government Securities Business Day *i* falling in the relevant SOFR Observation Period, the SOFR reference rate for such day;

**SOFR<sub>i-pUSBD</sub>** means (save as specified in the applicable Final Terms Document) in respect of any U.S. Government Securities Business Day *i* falling in the relevant Interest Period, the SOFR reference rate for the U.S. Government Securities Business Day falling *p* U.S. Government Securities Business Days prior to such day; and

**U.S. Government Securities Business Day or USBD** means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association (or any successor thereto) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

**Compounded Daily SOFR (Index Determination)**

Where **Screen Rate Determination**, **Overnight Rate** and **Index Determination** are specified as "Applicable" and the **Reference Rate** is specified as being "Compounded Daily SOFR" for a Floating Rate Covered Bond in the applicable Final Terms Document, the following provisions shall apply and the Rate of Interest for each Interest Period will, subject as provided below, be Compounded Daily SOFR plus or minus (as indicated in the applicable Final Terms Document) the Margin (if any), as 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 Document).

**Compounded Daily SOFR** means, in relation to an Interest Period, the rate of return of a daily compound interest investment (with the daily Secured Overnight Financing Rate as the 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 Document) on the Interest Determination Date (i) as further specified in the applicable Final Terms Document; (ii) by reference to the screen rate or index for compounded daily SOFR rates administered by the administrator of the SOFR reference rate that is published on the SOFR Administrator's Website or other information service from time to time on the relevant Interest Determination Date, as further specified in the applicable Final Terms Document (the "**SOFR Index**"); or (iii) in accordance with the following formula, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left( \frac{SOFR\ Index_{End}}{SOFR\ Index_{Start}} - 1 \right) \times \frac{360}{d}$$

where:

**Benchmark Replacement Date** has the meaning given in the Benchmark Transition Provisions;

**Benchmark Transition Event** has the meaning given in the Benchmark Transition Provisions;

**Benchmark Transition Provisions** means the provisions specified in Condition 14(g);

**d** means the number of calendar days from (and including) the day in relation to which SOFR Index<sub>Start</sub> is determined to (but excluding) the day in relation to which SOFR Index<sub>End</sub> is determined;

**p** means the number of U.S. Government Securities Business Days included in the "Observation Look-back Period" specified in the applicable Final Terms Document;

**SOFR Administrator** means the Federal Reserve Bank of New York, or a successor administrator of SOFR;

**SOFR Administrator's Website** means the website of the SOFR Administrator, currently at <http://www.newyorkfed.org>, or any successor website of the SOFR Administrator or the website of any successor SOFR Administrator;

**SOFR Index** means, with respect to any U.S. Government Securities Business Day:

- (a) the SOFR Index value as published by the SOFR Administrator as such index appears on the SOFR Administrator's Website at the SOFR Determination Time;
- (b) if a SOFR Index value does not so appear as specified in (a) above at the SOFR Determination Time, then:
  - (i) if a Benchmark Transition Event and its related Benchmark Replacement Date have not occurred with respect to SOFR, then the SOFR Index shall be the rate determined pursuant to the final paragraph of Compounded Daily SOFR (Index Determination); or
  - (ii) if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred in respect of SOFR, then the SOFR Index Rate shall be the rate determined pursuant to the Benchmark Transition Provisions;

**SOFR Index<sub>Start</sub>** means, with respect to an Interest Period, the SOFR Index value for the day which is *p* U.S. Government Securities Business Days prior to the first day of such Interest Period;

**SOFR Index<sub>End</sub>** means, with respect to an Interest Period, the SOFR Index value for the day which is *p* U.S. Government Securities Business Days prior to (A) the Interest Payment Date for such Interest Period, or (B) such other date on which the relevant payment of interest falls due (but which by its definition or the operation of the relevant provisions is excluded from such Interest Period); and

**U.S. Government Securities Business Day** or **USBD** means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association (or any successor thereto) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

If, as at any relevant SOFR Determination Time, the relevant SOFR Index is not published or displayed on the SOFR Administrator's Website by the SOFR Administrator and a Benchmark Transition Event and its related Benchmark Replacement Date have not occurred with respect to SOFR, the Compounded Daily SOFR for the applicable Interest Period for which the relevant SOFR Index is not available shall be "Compounded Daily SOFR" determined as set out under the section entitled *Compounded Daily SOFR (Non-Index Determination)* above and as if **Index Determination** were specified in the applicable Final Terms Document as being "Not Applicable, and for these purposes: (i) the "Observation Method" shall be deemed to be "Shift"; and (ii) the "Observation Look-Back Period" shall be deemed to be equal to *p* U.S. Government Securities Business Days, as if such alternative elections had been made in the applicable Final Terms Document.

For the avoidance of doubt, if, as at any relevant SOFR Determination Time (i) the relevant SOFR reference rate or the SOFR Index (as the case may be) is not published or displayed on the SOFR Administrator's Website by the SOFR Administrator and (ii) a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to SOFR, the SOFR reference rate or the SOFR Index (as the case may be) will be determined in accordance with the Benchmark Transition Provisions specified in Condition 14(g).

### €STR

#### Compounded Daily €STR (Non-Index Determination)

Where **Screen Rate Determination** and **Overnight Rate** are specified as "Applicable", the **Reference Rate** is specified as being "Compounded Daily €STR" and **Index Determination** is specified as "Not Applicable" for a Floating Rate Covered Bond in the applicable Final Terms Document, the following provisions shall apply and the Rate of Interest for each Interest Period will, subject as provided below, be Compounded Daily €STR plus or minus (as indicated in the applicable Final Terms Document) the Margin (if any), as 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 Document).

**Compounded Daily €STR** means, in relation to an Interest Period, the rate of return of a daily compound interest investment (with the daily Euro Short-Term Rate as the 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 Document) on the Interest Determination Date (i) as further specified in the applicable Final Terms Document; or (ii) in accordance with the following formula, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[ \prod_{i=1}^{d_o} \left( 1 + \frac{\text{Daily €STR} \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

where:

**d** means the number of calendar days in:

- (a) where in the applicable Final Terms Document "Lag" is specified as the Observation Method, the relevant Interest Period; or
- (b) where in the applicable Final Terms Document "Shift" is specified as the Observation Method, the relevant €STR Observation Period;

**Daily €STR** means (save as specified in the applicable Final Terms Document), in respect of any TARGET Business Day  $i$ :

- (a) where in the applicable Final Terms Document "Lag" is specified as the Observation Method,  $\text{€STR}_{i-p\text{TBDx}}$ ; or
- (b) where in the applicable Final Terms Document "Shift" is specified as the Observation Method,  $\text{€STR}_i$ ; and

$d_o$  means the number of TARGET Business Days in:

- (a) where in the applicable Final Terms Document "Lag" is specified as the Observation Method, the relevant Interest Period; or
- (b) where in the applicable Final Terms Document "Shift" is specified as the Observation Method, the relevant €STR Observation Period;

$\text{€STR}_i$  means, in respect of a TARGET Business Day  $i$  the €STR reference rate for such TARGET Business Day;

$\text{€STR}_{i-p\text{TBDx}}$  means, in respect of a TARGET Business Day  $i$  falling in the relevant Interest Period, the €STR reference rate for such TARGET Business Day falling  $p$  TARGET Business Days prior to the relevant TARGET Business Day  $i$ ;

**€STR reference rate**, in respect of any TARGET Business Day ("**TBDx**"), means a reference rate equal to the daily Euro Short-Term Rate ("**€STR**") rate for such TBDx as provided by the European Central Bank as the administrator of €STR (or any successor administrator of such rate) on the website of the European Central Bank (or, if no longer published on its website, as otherwise published by it or provided by it 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 TARGET Business Day immediately following TBDx (in each case, at the time specified by, or determined in accordance with, the applicable methodology, policies or guidelines, of the European Central Bank or the successor administrator of such rate);

**€STR Observation Period** means, in respect of each Interest Period, the period from (and including) the date falling  $p$  TARGET Business Days prior to the first day in such Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) to (but excluding) the date falling  $p$  TARGET Business Days prior to the Interest Payment Date for such Interest Period (or the date falling  $p$  TARGET Business Days prior to such earlier date, if any, on which the Floating Rate Covered Bonds become due and payable);

$i$  means a series of whole numbers from 1 to  $d_o$ , each representing the relevant TARGET Business Day in chronological order from (and including) the first TARGET Business Day in:

- (a) where in the applicable Final Terms Document "Lag" is specified as the Observation Method, the relevant Interest Period; or
- (b) where in the applicable Final Terms Document "Shift" is specified as the Observation Method, the relevant €STR Observation Period;

$n_i$ , for any day TARGET Business Day  $i$ , means the number of calendar days from (and including) such day TARGET Business Day to (but excluding) the following TARGET Business Day;

$p$  means the number of TARGET Business Days included in the "Observation Look-back Period" specified in the applicable Final Terms Document; and

**TARGET Business Day** means a day on which the TARGET2 system is open.

**Compounded Daily €STR (Index Determination)**

Where **Screen Rate Determination**, **Overnight Rate** and **Index Determination** are specified as "Applicable" and the **Reference Rate** is specified as being "Compounded Daily €STR" for a Floating Rate Covered Bond in the applicable Final Terms Document, the following provisions shall apply and the Rate of Interest for each Interest Period will, subject as provided below, be Compounded Daily €STR plus or minus (as indicated in the applicable Final Terms Document) the Margin (if any), as 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 Document).

**Compounded Daily €STR** means, in relation to an Interest Period, the rate of return of a daily compound interest investment (with the daily Euro Short-Term Rate as the 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 Document) on the Interest Determination Date (i) as further specified in the applicable Final Terms Document; (ii) by reference to the screen rate or index for compounded daily €STR rates administered by the administrator of the €STR reference rate that is published or displayed by such administrator or other information service from time to time on the relevant Interest Determination Date, as further specified in the applicable Final Terms Document (the "**€STR Index**"); or (iii) in accordance with the following formula, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left( \frac{\text{€STR Index}_{End}}{\text{€STR Index}_{Start}} - 1 \right) \times \frac{360}{d}$$

where:

*d* means the number of calendar days from (and including) the day in relation to which  $\text{€STR Index}_{Start}$  is determined to (but excluding) the day in relation to which  $\text{€STR Index}_{End}$  is determined;

$\text{€STR Index}_{Start}$  means, with respect to an Interest Period, the €STR Index value for the day which is *p* TARGET Business Days prior to the first day of such Interest Period;

$\text{€STR Index}_{End}$  means, with respect to an Interest Period, the €STR Index value for the day which is *p* TARGET Business Days prior to (A) the Interest Payment Date for such Interest Period, or (B) such other date on which the relevant payment of interest falls due (but which by its definition or the operation of the relevant provisions is excluded from such Interest Period);

*p* means (save as specified in the applicable Final Terms Document) the number of TARGET Business Days included in the "Observation Look-back Period" specified in the applicable Final Terms Document; and

**TARGET Business Day** means a day on which the TARGET2 system is open.

If, as at any relevant Interest Determination Date, the relevant €STR Index is not published or displayed by the administrator of the €STR reference rate or other information service by 5.00 p.m. (Central European Time) (or, if later, by the time falling one hour after the customary or scheduled time for publication thereof in accordance with the then-prevailing operational procedures of the administrator of the €STR reference rate or of such other information service, as the case may be) the Compounded Daily €STR for the applicable Interest Period



for which the relevant €STR Index is not available shall be "Compounded Daily €STR" determined as set out under the section entitled "Compounded Daily €STR (Non-Index Determination)" above and as if Index Determination were specified in the applicable Final Terms Document as being "Not Applicable", and for these purposes: (i) the "Observation Method" shall be deemed to be "Shift"; and (ii) the "Observation Look-Back Period" shall be deemed to be equal to  $p$  TARGET Business Days, as if such alternative elections had been made in the applicable Final Terms Document.

If, in respect of any TARGET Business Day in the relevant €STR Observation Period or the relevant Interest Period (as the case may be), the €STR reference rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such €STR reference rate shall be the €STR reference rate for the first preceding TARGET Business Day in respect of which an €STR reference rate was published by the European Central Bank on its website, as determined 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 Document).

Notwithstanding the paragraph above, in the event the European Central Bank publishes guidance as to (i) how the €STR reference rate is to be determined; or (ii) any rate that is to replace the €STR 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 Document) 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 Daily €STR for the purpose of the relevant Floating Rate Covered Bonds for so long as the €STR reference rate is not available or has not been published by the authorised distributors. To the extent that any amendments or modifications to the Conditions or the Transaction Documents are required in order for the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms Document) to follow such guidance in order to determine Daily €STR, the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms Document) shall have no obligation to act until such amendments or modifications have been made in accordance with the Conditions and the Transaction Documents.

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms Document), the Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period); or (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Floating Rate Covered Bonds for the first Interest Period had the Floating Rate Covered Bonds been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Period).

If the relevant Floating Rate Covered Bonds become due and payable in accordance with Condition 9 (*Events of Default, Acceleration and Enforcement*), the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Final Terms Document, be deemed to be the date on which such Floating Rate Covered Bonds became due

and payable and the Rate of Interest on such Floating Rate Covered Bonds shall, for so long as any such Floating Rate Covered Bond remains outstanding, be that determined on such date.

***Other Reference Rates***

Where **Screen Rate Determination** and **Term Rate** are specified as "Applicable" in the applicable Final Terms Document or the Reference Rate is specified as being a rate other than SONIA, SOFR or €STR in the applicable Final Terms Document, the following provisions shall apply and the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation (if there is only one quotation on the Relevant Screen Page); or
- (B) 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. London time (or such other time as specified in the applicable Final Terms Document) on the Interest Determination Date in question plus or minus the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

(c) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Final Terms Document for a Floating Rate Covered Bond specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) 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 Document for a Floating Rate Covered Bond specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

For the avoidance of doubt, where the Rate of Interest applicable to Floating Rate Covered Bonds for any Interest Period is determined to be less than zero, the Rate of Interest for such Interest Period shall (unless otherwise stated in the applicable Final Terms) be zero.

(d) *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 (the "**Interest Amount**") payable on the Floating Rate Covered Bonds for the relevant Interest Period by applying the Rate of Interest to:

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

- (ii) in the case of Floating Rate Covered Bonds in definitive form, 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 Floating Rate Covered Bond in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Covered Bond shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

- (e) *Notification of Rate of Interest and Interest Amounts*

The Principal Paying Agent 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 Issuer, the LLP, 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 or trading and to be published in accordance with Condition 13 (*Notices*) as soon as possible after their determination but in no event later than the fourth Business Day (as defined in Condition 4.5 (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*)) thereafter. 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, quoted and/or traded or by which they have been admitted to listing or trading and to Covered Bondholders in accordance with Condition 13 (*Notices*).

- (f) *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 4.2, whether by the Principal Paying Agent, the Calculation 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 Calculation Agent, the other Paying Agents, the Bond Trustee and all Covered Bondholders, Receiptholders and Couponholders and (in the absence of wilful default, negligence, bad faith or fraud) no liability to the Issuer, the LLP, the Covered Bondholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent, the Calculation 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.

#### 4.3 ***Interest following a Notice to Pay***

If a Notice to Pay is served on the LLP, the LLP shall, in accordance with the terms of the Trust Deed, pay Guaranteed Amounts corresponding to the amounts of interest described under Condition 4.1 (*Interest on Fixed Rate Covered Bonds*) or 4.2 (*Interest on Floating Rate Covered Bonds*) (as the case may be) under the Covered Bond Guarantee in respect of the Covered Bonds on the Original Due for Payment Dates and, if applicable, the Extended Due for Payment Date.

#### 4.4 ***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 unless default is otherwise made in respect of payment, in which event, interest will continue to accrue as provided in Condition 6.12 (*Late Payment*).

4.5 **Business Day, Business Day Convention, Day Count Fractions and other adjustments**

- (a) In these Terms and Conditions, "**Business Day**" means:
- (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 London and any Additional Business Centre specified in the applicable Final Terms Document; 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 London and any Additional Business Centre) or as otherwise specified in the applicable Final Terms Document or (B) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system (TARGET2), which utilises a single shared platform and which was launched on 19 November 2007 (the "**TARGET System**"), is open.
- (b) If a "**Business Day Convention**" is specified in the applicable Final Terms Document 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:
- (i) in any case where Specified Periods are specified in accordance with Condition 4.2(b)(ii) (*Screen Rate Determination for Floating Rate Covered Bonds*), the "**Floating Rate Convention**", such Interest Payment Date (A) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (II) below shall apply *mutatis mutandis*, or (B) 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 (I) such Interest Payment Date shall be brought forward to the immediately preceding Business Day, and (II) 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
  - (ii) the "**Following Business Day Convention**", such Interest Payment Date shall be postponed to the next day which is a Business Day; or
  - (iii) 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
  - (iv) the "**Preceding Business Day Convention**", such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
  - (v) the "**Modified Preceding Business Day Convention**", such Interest Payment Date shall be brought forward to the immediately preceding Business Day unless it would thereby fall into the previous calendar month, in which event such Interest Payment Date shall be postponed to the next day which is a Business Day.

- (c) **"Day Count Fraction"** means, in respect of the calculation of an amount of interest for any Interest Period:
- (i) if **"Actual/Actual (ICMA)"** is specified in the applicable Final Terms Document:
    - (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 (as defined in Condition 4.5(d) (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*)) during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms Document) that would occur in one calendar year; or
    - (B) in the case of Covered Bonds where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of (I) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and (II) 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;
  - (ii) if **"Actual/Actual"** or **"Actual/Actual (ISDA)"** is specified in the applicable Final Terms Document, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366, and (ii) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
  - (iii) if **"Actual/365 (Fixed)"** is specified in the applicable Final Terms Document, the actual number of days in the Interest Period divided by 365;
  - (iv) if **"Actual/365 (Sterling)"** is specified in the applicable Final Terms Document, 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;
  - (v) if **"Actual/360"** is specified in the applicable Final Terms Document, the actual number of days in the Interest Period divided by 360;
  - (vi) if **"30/360"**, **"360/360"** or **"Bond Basis"** is specified in the applicable Final Terms Document, 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;

- (vii) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Final Terms Document, 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; 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, in which case D2 will be 30;

- (viii) if "**30E/360 (ISDA)**" is specified in the applicable Final Terms Document, 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; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Final Maturity Date or (ii) such number would be 31 and D2 will be 30; or

(ix) such other Day Count Fraction as may be specified in the applicable Final Terms Document.

- (d) "**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).
- (e) "**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.
- (f) "**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.
- (g) "**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.
- (h) If "**adjusted**" is specified in the applicable Final Terms Document against the Day Count Fraction, interest in respect of the relevant Interest Period shall be payable in arrear on the relevant Interest Payment Date and calculated from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date, as such Interest Payment Date shall, where applicable, be adjusted in accordance with the Business Day Convention.
- (i) If "**not adjusted**" is specified in the applicable Final Terms Document against the Day Count Fraction, interest in respect of the relevant Interest Period shall be payable in arrear on the relevant Interest Payment Date and calculated from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date, but such Interest Payment Dates shall not be adjusted in accordance with any Business Day Convention.
- (j) "**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.

## 5. **Payments**

### 5.1 ***Method of payment***

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency; and

- (b) payments in euro will be made 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.

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 (but without prejudice to the provisions of Condition 7 (*Taxation*)) to (i) any fiscal or other laws and regulations applicable thereto in any jurisdiction and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

## 5.2 ***Presentation of Bearer Definitive Covered Bonds, Receipts and Coupons***

Payments of principal and interest (if any) will (subject as provided below) be made in accordance with Condition 5.1 (*Method of payment*) only against presentation and surrender of Bearer Definitive Covered Bonds, Receipts or Coupons (or, in the case of part payment of any sum due, endorsement of the Bearer Definitive Covered Bond (or Coupon)), as the case may be, only at a 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)).

Payments of instalments (if any) of principal other than the final instalment, will (subject as provided below) be made in accordance with Condition 5.1 (*Method of payment*) only against presentation and surrender (or, in the case of part of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in accordance with Condition 5.1 (*Method of payment*) only against presentation or surrender (or, in the case of part of any sum due, endorsement) of the Definitive Covered Bond in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Bearer Definitive Covered Bond to which it appertains. If any Bearer Definitive Covered Bond is redeemed or becomes repayable prior to the stated maturity thereof, principal will be payable in accordance with Condition 5.1 (*Method of payment*) only against presentation and surrender (or, in the case of part payment of any sum, endorsement) of such Bearer Definitive Covered Bond together with all unmatured Receipts appertaining thereto. Receipts presented without the Bearer Definitive Covered Bond to which they appertain and unmatured Receipts do not constitute valid obligations of the Issuer or the LLP. On the date on which any Bearer Definitive Covered Bond becomes due and payable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect of them.

Fixed Rate Covered Bonds in definitive bearer form (other than Long Maturity Covered Bonds) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall include Coupons falling to be issued on exchange of matured Talons), failing which an amount equal to the face value of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due but in no event thereafter.



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 an LLP Acceleration Notice) or by the LLP under the Covered Bond Guarantee (if a Notice to Pay or an LLP Acceleration Notice has been served) prior to its Final Maturity Date (or, as the case may be, Extended Due for Payment Date), all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the due date for redemption of any Floating Rate Covered Bond or Long Maturity Covered Bond in definitive bearer form, all unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Covered Bond**" is a Fixed Rate Covered Bond (other than a Fixed Rate Covered Bond which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon **provided that** such Covered Bond shall cease to be a Long Maturity Covered Bond on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the Principal Amount Outstanding of such Covered Bond.

If the due 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 presentation and surrender of the relevant Bearer Definitive Covered Bond.

### 5.3 ***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 Bearer Global Covered Bond against presentation or surrender, as the case may be, of such Bearer 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.

No payments of principal, interest or other amounts due in respect of a Bearer Global Covered Bond will be made by mail to an address in the United States or by transfer to an account maintained in the United States.

### 5.4 ***Payments in respect of Registered Covered Bonds***

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Covered Bond (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Covered Bond at the specified office of the Registrar or any of the Paying Agents. Such payments will be made in accordance with Condition 5.1 (*Method of payment*) by 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 tenth business day ("**business day**" being for the purposes of this Condition 5.4 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 (the "**Record 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 Yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment

in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Covered Bond (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the Register at the close of business on the Record Date at the holder's address shown in the Register on the Record Date and at the holder's risk. Upon application of the holder to the specified office of the Registrar not less than three business days before the due date for any payment of interest or an instalment of principal (other than the final instalment) in respect of a Registered Covered Bond, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Covered Bonds which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Covered Bond on redemption and the final instalment of principal will be made in the same manner as payment of the principal in respect of such Registered Covered Bond.

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

All amounts payable to DTC or its nominee as registered holder of a Registered Global Covered Bond in respect of Covered Bonds denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar (i) to an account specified in accordance with Condition 5.1 (*Method of payment*) identified to DTC by a participant in DTC in respect of its holding of such Covered Bonds, or (ii) to an account in the relevant Specified Currency of the Exchange Agent for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer, the LLP, the Bond Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

#### 5.5 ***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 obligations of the Issuer or the LLP will be discharged by payment to, or to the order of, the holder of such Global Covered Bond (or the Bond Trustee, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Covered Bonds represented by such Global Covered Bond must look solely to DTC, Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or the LLP to, or to the order of, the holder of such Global Covered Bond (or the Bond Trustee, as the case may be). No person other than the holder of the relevant Global Covered Bond (or, as provided in the Trust Deed, the Bond Trustee) shall have any claim against the Issuer or the LLP in respect of any payments due on that Global Covered Bond.

Notwithstanding the foregoing provisions of this Condition 5.5, payments of principal and/or interest in respect of Bearer Covered Bonds in U.S. Dollars will only be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. Dollars at such specified offices outside the United States of the full amount of principal and/or interest on the Bearer Covered Bonds in the manner provided above when due;
- (b) 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
- (c) 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.

#### 5.6 ***Payment Day***

If the date for payment of any amount in respect of any Covered Bond, Receipt 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 5.6 (unless otherwise specified in the applicable Final Terms Document), "**Payment Day**" means any day which (subject to Condition 8 (*Prescription*)) 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:
  - (i) the relevant place of presentation;
  - (ii) London; and
  - (iii) any Additional Business Centre specified in the applicable Final Terms Document;
- (b) either (i) 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 Business Centre) or as otherwise specified in the applicable Final Terms Document or (ii) in relation to any sum payable in euro, a day on which the TARGET System is open; and
- (c) in the case of any payment in respect of a Registered Global Covered Bond denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Covered Bond) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

#### 5.7 ***Interpretation of principal and interest***

Any reference in these Terms and Conditions to principal in respect of the Covered Bonds shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 7 (*Taxation*) or under any undertakings or covenants given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Covered Bonds;

- (c) the Early Redemption Amount of the Covered Bonds but excluding any amount of interest referred to therein;
- (d) the Optional Redemption Amount(s) (if any) of the Covered Bonds;
- (e) in relation to Covered Bonds redeemable in instalments, the Instalment Amounts;
- (f) in relation to Zero Coupon Covered Bonds, the Amortised Face Amount (as defined in Condition 6.8 (*Early Redemption Amounts*));
- (g) any premium and any other amounts (other than interest) which may be payable under or in respect of the Covered Bonds; and
- (h) any Excess Proceeds attributable to principal which may be payable by the Bond Trustee to the LLP in respect of the Covered Bonds.

Any reference in these Terms and 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 (*Taxation*) or under any undertakings given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

#### 5.8 **Redenomination**

Where redenomination is specified in the applicable Final Terms Document as being applicable, the Issuer may, without the consent of the Covered Bondholders, the Receiptholders 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 30 days' prior notice to the Covered Bondholders in accordance with Condition 13 (*Notices*), 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 Document 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 the main market of the London Stock Exchange or a regulated market in the European Economic Area, it shall be a term of any such redenomination that the holder of any Covered Bonds held through Euroclear and/or Clearstream, Luxembourg and/or DTC must have credited to its securities account with the relevant clearing system a minimum balance of Covered Bonds of at least euro 100,000.

The election will have effect as follows:

- (a) the Covered Bonds and any Receipts shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a nominal amount for each Covered Bond and Receipt equal to the nominal amount of that Covered Bond or Receipt 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;
- (b) save to the extent that an Exchange Notice has been given in accordance with paragraph (d) 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;
- (c) 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 (*Redemption and Purchase*);

- (d) 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, Receipts 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, Receipts and Coupons so issued will also become void on that date although those Covered Bonds, Receipts and Coupons will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Covered Bonds, Receipts and Coupons will be issued in exchange for Covered Bonds, Receipts and Coupons denominated in the Specified Currency in such manner as the Agents may specify and as shall be notified to the Covered Bondholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Covered Bonds;
- (e) after the Redenomination Date, all payments in respect of the Covered Bonds, the Receipts 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;
- (f) 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 by applying the Rate of Interest to each Specified Denomination, 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 subunit being rounded upwards or otherwise in accordance with applicable market convention;
- (g) if the Covered Bonds are Floating Rate Covered Bonds, the applicable Final Terms Document will specify any relevant changes to the provisions relating to interest; and
- (h) 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.

## 5.9 *Definitions*

In these Terms and Conditions, the following expressions have the following meanings:

**"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 EU pursuant to Article 123 of the Treaty.

**"euro"** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty.

**"Rate of Interest"** means the rate of interest payable from time to time in respect of Fixed Rate Covered Bonds and Floating Rate Covered Bonds, as determined in, or as determined in the manner specified in, the applicable Final Terms Document.

**"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 5.8(a) (*Redenomination*) 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.

"Treaty" means the Treaty establishing the European Community, as amended.

## 6. Redemption and Purchase

### 6.1 Final redemption

Unless previously redeemed or purchased and cancelled as specified below, each Covered Bond will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms Document in the relevant Specified Currency on the Final Maturity Date.

Without prejudice to Condition 9 (*Events of Default, Acceleration and Enforcement*), if an Extended Due for Payment Date is specified in the applicable Final Terms Document 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 Document (in each case after the expiry of the grace period set out in Condition 9.1(a) (*Issuer Events of Default*)) and following service of a Notice to Pay on the LLP by no later than the date falling one Business Day prior to the Extension Determination Date, the LLP has insufficient monies available under the Guarantee Priority of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series of Covered Bonds on the date falling on the earlier of (a) the date which falls two Business Days after service of a Notice to Pay on the LLP or, if later, the Final Maturity Date (in each case after the expiry of the grace period set out in Condition 9.2(a) (*LLP Events of Default*)) and (b) the Extension Determination Date, under the Covered Bond Guarantee, then (subject as provided below) payment of the unpaid portion of the Final Redemption Amount by the LLP under the Covered Bond Guarantee shall be deferred until the Extended Due for Payment Date, **provided that** any amount representing the Final Redemption Amount due and remaining unpaid on the earlier of (a) and (b) above will be paid by the LLP to the extent it has sufficient monies available under the Guarantee Priority of Payments on any Interest Payment Date thereafter up to (and including) the relevant Extended Due for Payment Date.

The LLP shall notify the relevant Covered Bondholders (in accordance with Condition 13 (*Notices*)), the Rating Agencies, the Bond Trustee, the Security Trustee, the Principal Paying Agent and (in the case of Registered Covered Bonds) the Registrar as soon as reasonably practicable and in any event at least one Business Day prior to the date specified in (a) or (b) of the preceding paragraph (as appropriate) 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 shall any rights accrue to any of them by virtue thereof.

In the circumstances outlined above, the LLP shall on the earlier of (a) the date falling two Business Days after service of a Notice to Pay or, if later, the Final Maturity Date (in each case after the expiry of the grace period set out in Condition 9.2(a) (*LLP Events of Default*)), and (b) the Extension Determination Date, under the Covered Bond Guarantee, apply the monies (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the Guarantee Priority of Payments) *pro rata* in part payment of an amount equal to the Final Redemption Amount of each Covered Bond of the relevant Series of Covered Bonds and shall pay Guaranteed Amounts constituting the corresponding part of 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 liabilities of the LLP under the Covered Bond Guarantee in connection with this Condition 6.1.

6.2 ***Redemption for taxation reasons***

The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time (if the relevant Covered Bond is not a Floating Rate Covered Bond) or on any Interest Payment Date (if the relevant Covered Bond is a Floating Rate Covered Bond), on giving not less than 30 nor more than 60 days' notice to the Bond Trustee and, in accordance with Condition 13 (*Notices*), the Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Bond Trustee immediately before the giving of such notice that on the occasion of the next date for payment of interest on the relevant Covered Bonds the Issuer is or would be required to pay additional amounts as provided or referred to in Condition 7 (*Taxation*). Covered Bonds redeemed pursuant to this Condition 6.2 will be redeemed at their Early Redemption Amount referred to in Condition 6.8 (*Early Redemption Amounts*) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

6.3 ***Money Market Covered Bond Mandatory Transfer***

- (a) If remarketing arrangements are specified as applicable in the relevant Final Terms Document in relation to Money Market Covered Bonds, such Money Market Covered Bonds shall, subject to paragraph (c) below, be transferred in accordance with paragraph (b) below on each Transfer Date prior to the occurrence of a Mandatory Transfer Termination Event, as confirmed by the Remarketing Bank providing a Conditional Purchase Confirmation to the Issuer and the Principal Paying Agent, in exchange for payment of the Transfer Price and the Issuer and the Principal Paying Agent will procure payment of the Transfer Price to the Covered Bondholders of the Money Market Covered Bonds on the relevant Transfer Date.
- (b) Subject to paragraphs (a) above and (c) below, all the interests of the Covered Bondholders in the Money Market Covered Bonds shall be transferred on the relevant Transfer Date to the account of the Remarketing Bank on behalf of the relevant purchasers or as otherwise notified by or on behalf of the Remarketing Bank prior to such date or if Money Market Covered Bonds in definitive form are then issued, the Money Market Covered Bonds will be registered in the name of the Remarketing Bank or as otherwise notified by or on behalf of the Remarketing Bank by the Registrar and the Register will be amended accordingly with effect from the relevant Transfer Date.
- (c) Any holder of a Money Market Covered Bond may exercise his right to retain such Money Market Covered Bond through the facilities of DTC at any time prior to the commencement of the Remarketing Period that ends immediately before the relevant Transfer Date.

6.4 ***Redemption at the option of the Issuer ("Issuer Call")***

If an Issuer Call is specified in the applicable Final Terms Document, the Issuer may, having given not less than 15 nor more than 30 days' notice or such other period of notice as may be specified in the applicable Final Terms Document to the Bond Trustee, the Principal Paying Agent, the Registrar (in the case of the redemption of Registered Covered Bonds) and, in accordance with Condition 13 (*Notices*), the Covered Bondholders (which notice shall be irrevocable) redeem all or some only 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 Document together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date(s). The Issuer shall be bound to redeem the Covered Bonds on the date specified in the notice. In the event of a redemption of some only of the Covered Bonds, such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount (if any), as specified in the applicable Final Terms Document. In the case of a partial redemption of Covered Bonds, the Covered Bonds to be redeemed (the "**Redeemed Covered Bonds**") will be selected individually by lot, in the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, and in accordance with the rules of DTC, Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Covered Bonds represented by a Global Covered Bond, in each case, not more than 30 days prior to the date fixed for redemption (such date of

selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, a list of the serial numbers of such Redeemed Covered Bonds will be published in accordance with Condition 13 (*Notices*) not less than 15 days (or such shorter period as may be specified in the applicable Final Terms Document) prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Covered Bonds represented by Definitive Covered Bonds or represented by Global Covered Bonds shall, in each case, bear the same proportion to the aggregate nominal amount of all Redeemed Covered Bonds as the aggregate nominal amount of Definitive Covered Bonds or Global Covered Bonds outstanding bears, in each case, to the aggregate nominal amount of the Covered Bonds outstanding on the Selection Date, **provided that** such nominal amounts shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination. 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 6.4 and notice to that effect shall be given by the Issuer to the Covered Bondholders in accordance with Condition 13 (*Notices*) at least five days (or such shorter period as is specified in the applicable Final Terms Document) prior to the Selection Date.

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

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

If the Covered Bond is in definitive form, to exercise the right to require redemption of the Covered Bond, the holder of the Covered Bond must deliver such Covered Bond, on any Business Day (as defined in Condition 4.5 (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*)) falling within the above-mentioned notice period at the specified office of any Paying Agent, accompanied by a duly signed and completed notice of exercise of the Investor Put in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition 6.5.

***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 Document.***

6.6 ***Redemption due to illegality or invalidity***

- (a) The Covered Bonds of all Series may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bond Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 13 (*Notices*), all 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 (i) the Issuer to make, fund or allow to remain outstanding any Term Advance made by it to the LLP under the Intercompany Loan Agreement; and/or (ii) the Issuer or the LLP to make any payment of interest, principal or any other amount on, or to allow to remain outstanding, any Covered Bond of any Series, in each case, 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.



- (b) Covered Bonds redeemed pursuant to paragraph (a) above will be redeemed at their Early Redemption Amount referred to in Condition 6.8 (*Early Redemption Amounts*) together (if appropriate) with interest accrued to (but excluding) the date of redemption.
- (c) Covered Bonds redeemed pursuant to paragraph (b) above will be redeemed:
  - (i) in the case of Covered Bonds other than Fixed Rate Covered Bonds, at their Principal Amount Outstanding; and
  - (ii) in the case of Fixed Rate Covered Bonds, at a price which shall be the higher of:
    - (A) their Principal Amount Outstanding, together with interest accrued to (but excluding) the date of redemption; and
    - (B) an appropriate make-whole amount deemed fair by an investment bank or other suitable entity of international repute nominated by the Issuer and approved in writing by the Bond Trustee.

#### 6.7 **General**

Prior to the publication of any notice of redemption pursuant to Conditions 6.2 (*Redemption for taxation reasons*), 6.6(a) (*Redemption due to illegality or invalidity*) or 6.6(b) (*Redemption due to illegality or invalidity*), the Issuer shall deliver to the Bond Trustee a certificate signed by two Issuer Authorised Signatories stating that the Issuer is entitled or required to effect such redemption and setting forth a statement of facts showing that the conditions set out in Conditions 6.2 (*Redemption for taxation reasons*), 6.6(a) (*Redemption due to illegality or invalidity*) or, as the case may be, 6.6(b) (*Redemption due to illegality or invalidity*) for such right or obligation (as applicable) of the Issuer to arise have been satisfied and the Bond Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions set out above, in which event it shall be conclusive and binding on all Covered Bondholders, Receiptholders and Couponholders.

#### 6.8 **Early Redemption Amounts**

For the purpose of Conditions 6.2 (*Redemption for taxation reasons*) and 6.6(a) (*Redemption due to illegality or invalidity*) and Condition 9 (*Events of Default, Acceleration and Enforcement*), each Covered Bond will be redeemed (unless otherwise stated in the applicable Final Terms Document) at its Early Redemption Amount calculated as follows:

- (a) in the case of a Covered Bond other than a Zero Coupon Covered Bond (but including an Instalment Covered Bond), at the amount specified in, or determined in the manner specified in, the applicable Final Terms Document or, if no such amount or manner is so specified in the applicable Final Terms Document, at its Principal Amount Outstanding, together with interest accrued to (but excluding) the date fixed for redemption; and
- (b) in the case of a Zero Coupon Covered Bond, at an amount (the "**Amortised Face Amount**") equal to the sum of:
  - (i) the Reference Price; and
  - (ii) 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.

Where such calculation in paragraph (b) above is to be made for a period which is not a whole number of years, it shall be made (A) in the case of a Zero Coupon Covered Bond payable in a Specified Currency other than euro, on the basis of a 360-day year consisting of 12 months of 30 days each, or (B) 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).

6.9 ***Instalments***

Instalment Covered Bonds will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 6.8 (*Early Redemption Amounts*).

6.10 ***Purchases***

The Issuer or any of its subsidiaries (including the LLP) may at any time purchase or otherwise acquire Covered Bonds (**provided that**, in the case of Bearer Definitive Covered Bonds, all unmatured Receipts, Coupons and Talons appertaining thereto are attached thereto or surrendered therewith) at any price in the open market either by tender or private agreement or otherwise. If purchases are made by tender, tenders must be available to all 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).

6.11 ***Cancellation***

All Covered Bonds which are redeemed will forthwith be cancelled (together with, in the case of Bearer Definitive Covered Bonds, all unmatured Receipts, 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 6.10 (*Purchases*) and cancelled (together with, in the case of Bearer Definitive Covered Bonds, all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

6.12 ***Late Payment***

If any amount payable in respect of any Covered Bond is improperly withheld or refused upon its becoming due and repayable or is paid after its due date, the amount due and repayable in respect of such Covered Bond (the "**Late Payment**") shall itself accrue interest (both before and after any judgment or other order of a court of competent jurisdiction) from (and including) the date on which such payment was improperly withheld or refused or, as the case may be, became due, to (but excluding) the Late Payment Date in accordance with the following provisions:

- (a) in the case of a Covered Bond other than a Zero Coupon Covered Bond (but including an Instalment Covered Bond) at the rate determined in accordance with Condition 4.1 (*Interest on Fixed Rate Covered Bonds*) or 4.2 (*Interest on Floating Rate Covered Bonds*), as the case may be; and
- (b) in the case of a Zero Coupon Covered Bond, at a rate equal to the Accrual Yield,

in each case on the basis of the Day Count Fraction specified in the applicable Final Terms Document or, if none is specified, on a 30/360 basis.

For the purpose of this Condition 6.12, the "**Late Payment Date**" shall mean the earlier of:

- (i) the date which the Bond Trustee determines to be the date on which, upon further presentation of the relevant Covered Bond, payment of the full amount (including interest as aforesaid) in the relevant currency in respect of such Covered Bond is to be made; and
- (ii) the seventh day after notice is given to the relevant Covered Bondholder (whether individually or in accordance with Condition 13 (*Notices*)) that the full amount (including interest as aforesaid) in the relevant currency in respect of such Covered Bond is available for payment,

**provided that** in the case of both (i) and (ii), upon further presentation thereof being duly made, such payment is made.

## 7. **Taxation**

All payments of principal and interest (if any) in respect of the Covered Bonds, Receipts 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 unless such withholding or deduction of such taxes, duties, assessments or governmental charges is required by law (including pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach or agreement thereto). In the event of a 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 any authority therein or thereof having power to tax 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 holders of the Covered Bonds, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest, if any, which would otherwise have been receivable in respect of the Covered Bonds, Receipts 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, Receipt or Coupon:

- (a) presented for payment, where presentation is required, in the United Kingdom; or
- (b) to 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, Receipts 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, Receipts or Coupons, and

nor will such additional amounts be payable with respect to any payment to any person other than the sole beneficial owner of such payment to the extent that the beneficial owner would not have been entitled to receive a payment of such additional amount had they owned and received directly their beneficial share of such payment; or

- (c) presented for payment, where presentation is required, more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on the last day of such period of 30 days; or
- (d) for any withholding or deduction for taxes, duties, assessments or governmental charges that would not have been imposed but for a failure by the holder or beneficial owner (or any financial institution through which the holder or beneficial owner holds any Covered Bond through which payment on the Covered Bond is made) to comply with any certification, information, identification, documentation or other reporting requirements (including entering into and complying with an agreement with the Internal Revenue Service) imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations or intergovernmental agreement, or legislation enacted pursuant thereto, to implement such provisions) as in effect on the date of issuance of the Covered Bonds or any successor or amended version of these provisions.

As used herein, the "**Relevant Date**" means the date on which payment in respect of the Covered Bond, Receipt or Coupon first becomes due and payable but, if the full amount of the monies payable on such date has not been received by the Principal Paying Agent or the Bond Trustee on

or prior to such date, the "**Relevant Date**" shall be the date on which such monies shall have been so received and notice to that effect has been given to Covered Bondholders in accordance with Condition 13 (*Notices*).

If any payments made by the LLP under the Covered Bond Guarantee are or become subject to any withholding or deduction on account of any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom or any political subdivision thereof or by any authority therein or thereof having power to tax, the LLP will not be obliged to pay any additional amount as a consequence. Any such deduction shall not constitute an LLP Event of Default under Condition 9 (*Events of Default, Acceleration and Enforcement*).

## 8. **Prescription**

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

The Issuer shall be discharged from its obligation to pay principal on a Registered Covered Bond to the extent that the relevant Registered Covered Bond certificate has not been surrendered to the Registrar by, or a cheque which has been duly despatched in the Specified Currency remains uncashed at, the end of the period of ten years from the Relevant Date for such payment.

The Issuer shall be discharged from its obligation to pay interest on a Registered Covered Bond to the extent that a cheque which has been duly despatched in the Specified Currency remains uncashed at the end of the period of five years from the Relevant Date in respect of such payment.

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 8 or Condition 5 (*Payments*) or any Talon which would be void pursuant to Condition 5 (*Payments*).

## 9. **Events of Default, Acceleration and Enforcement**

### 9.1 *Issuer Events of Default*

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds (which for this purpose or the purpose of any Extraordinary Resolution referred to in this Condition 9.1 means the Covered Bonds of this Series together with the Covered Bonds of any other Series constituted by the Trust Deed) then outstanding as if they were a single Series (with the nominal amount of Covered Bonds not denominated in Sterling converted into Sterling at the relevant Covered Bond Swap Rate) or if so directed by an Extraordinary Resolution of all the Covered Bondholders shall (subject in each case to being indemnified and/or secured to its satisfaction), give notice (an "**Issuer Acceleration Notice**") in writing to the Issuer and to the FCA pursuant to the RCB Regulations, that, as against the Issuer (but not, for the avoidance of doubt, against the LLP under the Covered Bond Guarantee), each Covered Bond of each Series is, and each such Covered Bond shall thereupon immediately become, due and repayable at its Early Redemption Amount together with (to the extent not included in the Early Redemption Amount) accrued interest as provided in the Trust Deed if any of the following events (each an "**Issuer Event of Default**") shall occur and be continuing:

- (a) if default is made by the Issuer for a period of 14 days or more in the payment of any principal or interest due in respect of the Covered Bonds or any of them; or
- (b) if the Issuer fails to perform or observe any of its other obligations under the Covered Bonds or Receipts or Coupons of any Series of Covered Bonds or the Trust Deed or any other Transaction Documents to which the Issuer is a party (other than the Programme Agreement and the Subscription Agreement), but excluding (i) any obligation of the Issuer to comply with the Asset Coverage Test or any representations or warranties given by the Issuer thereunder or pursuant thereto, or (ii) any obligation of the Issuer which relates solely to compliance with its obligations under the RCB Regulations and breach

of which would not otherwise constitute a breach of the other terms of the Transaction Documents, and (except where the Bond Trustee considers such failure to be incapable of remedy when no such continuation or notice as is hereinafter referred to will be required) such failure continues for the period of 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; or

- (c) if an effective resolution is passed or an order is made for the winding-up or dissolution of the Issuer (except for the purposes of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Bond Trustee or by an Extraordinary Resolution of the Covered Bondholders or which has been effected in compliance with the terms of Condition 14 (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*)); or
- (d) if an Asset Coverage Test Breach Notice has been served and not revoked (in accordance with the terms of the Transaction Documents) on or before the third Calculation Date after service of such Asset Coverage Test Breach Notice,

**provided that** any condition, event or act described in paragraph (b) above shall only constitute an Issuer Event of Default 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.

Upon the Covered Bonds becoming immediately due and payable against the Issuer pursuant to this Condition 9.1, the Bond Trustee shall forthwith serve a notice to pay (the "**Notice to Pay**") on the LLP pursuant to the Covered Bond Guarantee. If a Notice to Pay has been served, 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 service of an Issuer Acceleration Notice, the Bond Trustee may or shall take such proceedings against the Issuer in accordance with the first paragraph of Condition 9.3 (*Enforcement*).

The Trust Deed provides that all monies received by the Bond Trustee from the Issuer or any administrator, administrative receiver, receiver, liquidator or other similar official appointed in relation to the Issuer following service of an Issuer Acceleration Notice (the "**Excess Proceeds**"), shall be paid by the Bond Trustee on behalf of the Covered Bondholders of the relevant Series to the LLP for its own account, as soon as practicable, and shall be held by the LLP in the GIC Account and the Excess Proceeds shall thereafter form part of the Security and shall be used by the LLP in the same manner as all other monies from time to time standing to the credit of the GIC Account 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, Receipts and Coupons. However, the obligations of the LLP under the Covered Bond Guarantee are (following service of a Notice to Pay) unconditional and irrevocable and the receipt by the Bond Trustee of any Excess Proceeds shall not reduce or discharge any of such obligations. By subscribing for Covered Bond(s), each Covered Bondholder shall be deemed to have irrevocably directed the Bond Trustee to pay the Excess Proceeds to the LLP in the manner as described above.

## 9.2 ***LLP Events of Default***

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds (which for this purpose and the purpose of any Extraordinary Resolution referred to in this Condition 9.2 means the Covered Bonds of this Series together with the Covered Bonds of any other Series constituted by the Trust Deed) then outstanding as if they were a single Series (with the nominal amount of Covered Bonds not denominated in Sterling converted into Sterling at the relevant Covered Bond Swap Rate) or if so directed by an Extraordinary Resolution of all the Covered Bondholders, shall (subject in each case to being indemnified and/or secured to its satisfaction) give notice (the "**LLP Acceleration Notice**") in writing to the Issuer and the LLP, that (i) 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 the Issuer following service of an Issuer Acceleration Notice), thereupon immediately become due and repayable at its Early Redemption Amount together with (to the extent not already included in the Early Redemption Amount) accrued interest, and (ii) 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 (to the extent not already included in the Early Redemption Amount) 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:

- (a) if default is made by the LLP for a period of seven days or more in the payment of any Guaranteed Amounts which are Due for Payment on the relevant Guaranteed Amounts Due Date in respect of the Covered Bonds of any Series, except in the case of the payments of a Guaranteed Amount which is Due for Payment under Condition 6.1 (*Final redemption*) when the LLP shall be required to make payments of Guaranteed Amounts which are Due for Payment on the dates specified therein; or
- (b) if default is made by the LLP in the performance or observance of any obligation, condition or provision binding on it (other than any obligation for the payment of Guaranteed Amounts in respect of the Covered Bonds of any Series) under the Trust Deed, the Deed of Charge or any other Transaction Document (other than the obligation to satisfy the Asset Coverage Test in accordance with Clause 11 of the LLP Deed) to which the LLP is a party and (except where such default is or the effects of such default are, in the opinion of the Bond Trustee, not capable of remedy when no such continuation and notice as is hereinafter mentioned will be required), such default continues for 30 days (or such longer period as the Bond Trustee may permit) after written notice thereof has been given by the Bond Trustee to the LLP requiring the same to be remedied; or
- (c) if an order is made or an effective resolution passed for the liquidation or winding-up of the LLP; or
- (d) if the LLP ceases or threatens to cease to carry on its business or substantially the whole of its business; or
- (e) if the LLP is unable, or admits inability, to pay its debts generally as they fall due or shall be adjudicated or found bankrupt or insolvent; or
- (f) if 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, 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
- (g) if there is a failure to satisfy the Amortisation Test (as set out in the LLP Deed) on any Calculation Date following service of a Notice to Pay,

**provided that** any condition, event or act described in paragraphs (b) and (d) to (g) (inclusive) above shall only constitute an LLP Event of Default 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.

Following service of an LLP Acceleration Notice, each of the Bond Trustee and the Security Trustee may or shall take such proceedings or steps in accordance with the first and third paragraphs, respectively, of Condition 9.3 (*Enforcement*).

Upon service of an LLP Acceleration Notice, the Covered Bondholders shall 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 (to the extent not included in the Early Redemption Amount) accrued interest and any other amount due under such Covered Bonds (other than additional amounts payable under Condition 7 (*Taxation*)) as provided in the Trust Deed.

### 9.3 ***Enforcement***

The Bond Trustee may, at any time, at its discretion and without further notice, take such proceedings against the Issuer 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, the Receipts, the Coupons or any other Transaction Document, but it shall not be bound to take any such enforcement proceedings in relation to the Trust Deed, the Covered Bonds, the Receipts, the Coupons or any other Transaction Document unless (i) it shall have been so directed by an Extraordinary Resolution of all the Covered Bondholders of all Series (with the Covered Bonds of all Series taken together as a single Series as aforesaid) or so requested in writing by the holders of not less than 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (taken together and converted into Sterling at the relevant Covered Bond Swap Rate as aforesaid) and (ii) it shall have been indemnified and/or secured to its satisfaction.

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

The Security Trustee may, at any time, at its discretion and without further notice, take such proceedings against the LLP and/or any other person as it may think fit to enforce the provisions of the Deed of Charge or any other Transaction Document in accordance with its terms and may, at any time after the Security has become enforceable, take such proceedings or steps as it may think fit to enforce the Security, but it shall not be bound to take any such proceedings or steps unless (i) it shall have been so directed by an Extraordinary Resolution of all the Covered Bondholders of all Series (with the Covered Bonds of all Series taken together as a single Series as aforesaid) or a request in writing by the holders of not less than 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (taken together and converted into Sterling at the relevant Covered Bond Swap Rate as aforesaid), and (ii) it shall have been indemnified and/or secured to its satisfaction. In exercising any of its powers, trusts, authorities and discretions under this paragraph the Security Trustee shall only have regard to the interests of the Covered Bondholders of all Series and shall not have regard to the interests of any other Secured Creditors.

No Covered Bondholder, Receiptholder 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, any other Transaction Document, the Covered Bonds, the Receipts, 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 period and such failure shall be continuing.

### 10. **Replacement of Covered Bonds, Receipts, Coupons and Talons**

If any Covered Bond, Receipt, Coupon or Talon is 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, Receipts 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 given to the Covered Bondholders in accordance with Condition 13 (*Notices*), 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, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

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

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

The Issuer is entitled, with the prior written approval of the Bond Trustee, to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, **provided that:**

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) the Issuer will, so long as any Covered Bond is outstanding, maintain a Paying Agent (which may be the Principal Paying Agent) having a specified office in a city approved by the Bond Trustee in Europe;
- (c) so long as any Covered Bond is listed on any stock exchange or admitted to listing or trading by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Covered Bonds) and a Transfer Agent (in the case of Registered Covered Bonds) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or, as the case may be, other relevant authority; and
- (d) so long as any of the Registered Global Covered Bonds payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in the United States.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in the United States in the circumstances described in Condition 5.5 (*General provisions applicable to payments*). 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 (*Notices*).

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the LLP and, in certain circumstances specified therein, of the Bond Trustee and do not assume any obligation to, or relationship of agency or trust with, any Covered Bondholders, Receiptholders 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 (*Prescription*).

13. **Notices**

All notices regarding the Bearer Covered Bonds will be valid if published in one leading English language daily newspaper of general circulation in London or any other daily newspaper in London approved by the Bond Trustee. The Issuer or, in the case of a notice given by the Bond Trustee or the Security Trustee, the Bond Trustee or the Security Trustee (as the case may be) 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 including publication on the website of the relevant stock exchange or relevant authority required by those rules. 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. If publication as provided



above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Bond Trustee shall approve.

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 or trading 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. Any such notice will be deemed to have been given on the date of such publication. If the giving of notice as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Bond Trustee shall approve.

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

Notices to be given by any Covered Bondholder shall be in writing and given by lodging the same, together (in the case of any Covered Bond in definitive form) with the relevant Covered Bond or Covered Bonds, with the Principal Paying Agent (in the case of Bearer Covered Bonds) or the Registrar (in the case of Registered Covered Bonds). Whilst any of the Covered Bonds are represented by a Global Covered Bond, such notice may be given by any holder of a Covered Bond to the Principal Paying Agent or the Registrar through DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and DTC and/or Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

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

The Trust Deed contains provisions for convening meetings of the Covered Bondholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Terms and Conditions, the N Covered Bond Conditions applicable to a particular Series of N Covered Bonds or the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the LLP or the Bond Trustee and shall be convened by the Issuer at the request in writing of Covered Bondholders holding not less than 10 per cent. of the Principal Amount Outstanding of the Covered Bonds for the time being outstanding. The quorum at any such meeting in respect of any Covered Bonds of any Series for passing an Extraordinary Resolution is one or more persons holding or representing not less than a clear majority of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned meeting one or more persons being or representing Covered Bondholders of such Series whatever the nominal amount of the Covered Bonds of such Series so held or represented, except that at any meeting the business of which includes the modification of any Series Reserved Matter, the quorum shall be one or more persons holding or representing not less than two-thirds of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Covered Bondholders of a Series shall, subject as provided below, be binding on all the Covered Bondholders of such Series, whether or not they are present at the meeting, and on all Receiptholders and 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 holders of such Covered Bonds, 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 (*Events of Default, Acceleration and Enforcement*) or to direct the Bond Trustee or the Security Trustee to take any enforcement action pursuant to Condition 9 (*Events of Default, Acceleration and Enforcement*) (each a "**Programme Resolution**") shall only be capable of being passed at a single meeting of the holders of the Covered Bonds 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 Covered Bondholders, in the case of a direction to accelerate the Covered Bonds pursuant to Conditions 9.1 (*Issuer Events of Default*) and 9.2 (*LLP Events of Default*) or to take enforcement action pursuant to Condition 9.3 (*Enforcement*), holding at least 25 per cent. of the Principal Amount Outstanding of the Covered Bonds of all Series then outstanding. The quorum at any such meeting for passing a Programme Resolution is one or more persons holding or representing at least a clear majority of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing Covered Bonds whatever the nominal amount of the Covered Bonds of all Series then outstanding. A Programme Resolution passed at any meeting of the Covered Bondholders of all Series shall be binding on all Covered Bondholders of all Series, whether or not they are present at the meeting, and on all related Receiptholders and Couponholders in respect of such Covered Bonds.

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

The Bond Trustee and the Security Trustee may in the case of paragraphs (a) and (b) below, and the Bond Trustee and the Security Trustee shall in the case of paragraphs (c), (d) and (f) below, agree and the LLP and the Issuer may also agree, without the consent of the Covered Bondholders, Receiptholders or Couponholders of any Series and without the consent of the other Secured Creditors (and for the purposes of paragraphs (a), (b) and (f) below the Bond Trustee and the Security Trustee may disregard whether any such modification relates to a Series Reserved Matter) to:

- (a) any modification of the terms and conditions applying to Covered Bonds of one or more Series (including these Terms and Conditions), the related Receipts and/or Coupons or any Transaction Document **provided that** (i) in the sole opinion of the Bond Trustee such modification is not materially prejudicial to the interests of any of the Covered Bondholders of any Series, and (ii) in the sole opinion of the Security Trustee, such modification is not materially prejudicial to the interests of any of the Covered Bondholders of any Series or the Covered Bond Swap Providers or the Interest Rate Swap Provider, except for any Covered Bond Swap Provider or the Interest Rate Swap Provider who is a member of the Enlarged Santander UK Group; or
- (b) any modification of the terms and conditions applying to Covered Bonds of any one or more Series (including these Terms and Conditions), the related Receipts and/or Coupons or any Transaction Document which is, in the sole opinion of the Bond Trustee or the Security Trustee (as the case may be), of a formal, minor or technical nature or is to correct a manifest error or an error which is, in the sole opinion of the Bond Trustee or the Security Trustee (as the case may be), proven, or is to comply with mandatory provisions of law; or
- (c) EMIR Related Modifications (as defined below), with respect only to Covered Bonds issued on or after 30 April 2021 (and which are not consolidated and form a single series with any Covered Bonds issued prior to such date), and subject to receipt by the Bond Trustee and the Security Trustee of a certificate of the Issuer signed by two Issuer Authorised Signatories or the LLP signed by a Designated Member certifying to the Bond Trustee and the Security Trustee that (a) the requested modifications of the terms and

conditions applying to Covered Bonds of any one or more Series (including these Terms and Conditions), the related Receipts and/or Coupons and/or any relevant Transaction Documents are to be made solely for the purpose of enabling the Issuer or the LLP to comply with any requirements which apply to it under Regulation (EU) 648/2012 ("**EU EMIR**") or under Regulation (EU) 648/2012 as it forms part of U.K domestic law by virtue of the EUWA, as amended ("**UK EMIR**") (in each case, "**EMIR Related Modifications**"), and (b) such EMIR Related Modifications do not relate to a Series Reserved Matter, and the Covered Bondholders and other Secured Creditors shall be deemed to have instructed the Bond Trustee and the Security Trustee to concur in making any and all such EMIR Related Modifications and shall be bound by such EMIR Related Modifications to the Transaction Documents and/or these Terms and Conditions regardless of whether or not such modifications are materially prejudicial to the interests of Covered Bondholders and the other Secured Creditors, **provided that** neither the Bond Trustee nor the Security Trustee shall be obliged to agree to any EMIR Related Modification which, in the sole opinion of the Bond Trustee or the Security Trustee, would have the effect of (a) exposing the Bond Trustee and/or the Security Trustee to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (b) increasing the obligations or duties, or decreasing the protections of the Bond Trustee and/or the Security Trustee under the Transaction Documents and/or these Terms and Conditions; or

- (d) any modification to these Terms and 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 any Series of Covered Bonds issued after 30 April 2021 from SONIA, €STR, EURIBOR, NIBOR or such other relevant interest rate benchmark (each, a "**Reference Rate**") to an alternative base rate (any such rate, an "**Alternative Base Rate**") (other than SOFR) 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:
  - (A) the Issuer certifies to the Bond Trustee and the Security Trustee in writing (such certificate, a "**Base Rate Modification Certificate**") that 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 Rate ceasing to exist or be published;
    - (ii) the insolvency or cessation of business of the administrator of the Reference Rate or any other relevant interest rate benchmark (in circumstances where no successor administrator has been appointed);
    - (iii) 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) or has or will change such Reference Rate in an adverse manner;
    - (iv) 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;
    - (v) 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 or will be subject to restrictions or adverse consequences;

- (vi) a public announcement of the permanent or indefinite discontinuation of the relevant screen rate or base rate that applies to the Floating Rate Covered Bonds at such time; or
  - (vii) the reasonable expectation of the Issuer that any of the events specified in sub-paragraph (i), (ii), (iii), (v) or (vi) will occur or exist within six months of the proposed effective date of such Base Rate Modification,
- and, in each case, has been drafted solely to such effect;
- (B) such Alternative Base Rate is a base rate published, endorsed, approved or recognised by the Bank of England, the Federal Reserve or the European Central Bank, 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);
  - (C) at least 35 calendar days' prior written notice of any Base Rate Modification has been given to the Bond Trustee and the Security Trustee;
  - (D) the Base Rate Modification Certificate in relation to such Base Rate Modification is provided to the Bond Trustee and the Security Trustee both at the time the Bond Trustee and the Security Trustee are 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 and the Security Trustee that it has notified such Rating Agency of the Base Rate Modification and, in its opinion, formed on the basis of due consideration and consultation with such Rating Agency (including, as applicable, upon receipt of oral confirmation from an appropriately authorised person at such Rating Agency), such Base Rate Modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the Covered Bonds of any Series by such Rating Agency or (y) such Rating Agency placing the Covered Bonds of any Series on rating watch negative (or equivalent);
  - (F) the Issuer pays (or arranges for the payment of) all reasonable and documented fees, costs and expenses (including legal fees) properly incurred by the Bond Trustee and the Security Trustee in connection with such Base Rate Modification;
  - (G) if in the opinion of the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms Document) there is in relation to the Base Rate Modification and the operation thereof any uncertainty between two or more alternative courses of action in making any determination or calculation, the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms Document) shall promptly notify the Issuer thereof and the Issuer shall direct the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in

the applicable Final Terms Document) in writing as to which alternative course of action to adopt; if the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms Document) is not promptly provided with such direction, or is otherwise unable to make such calculation or determination for any reason beyond its control, it shall notify the Issuer thereof and the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms Document) shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so; and

- (H) the Issuer has provided at least 30 calendar 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 the Covered Bondholders must respond, and Covered Bondholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds then outstanding have not contacted the Issuer in writing within such notification period (or otherwise in accordance with the then current practice of any applicable Clearing System through which such Covered Bonds may be held) notifying it that such Covered Bondholders do not consent to the Base Rate Modification.

If Covered Bondholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds then outstanding have notified the Issuer within the notification period as described above that such Covered Bondholders do not consent to the Base Rate Modification, then the Base Rate Modification will not be made unless an Extraordinary Resolution of the Covered Bondholders of the relevant Series then outstanding is passed in favour of the Base Rate Modification in accordance with this Condition 14.

For the avoidance of doubt, the Issuer may propose an Alternative Base rate on more than one occasion provided that the conditions set out in this Condition 14(d) are satisfied.

- (e) When implementing any modification pursuant to Condition 14(d):
  - (A) a Base Rate Modification in respect of Covered Bonds issued after 30 April 2021 shall not constitute a Series Reserved Matter;
  - (B) neither the Bond Trustee nor the Security Trustee (i) shall 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 (ii) shall 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
  - (C) 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 Terms and Conditions.

- (f) any Ratings Modification Event (as defined below) with respect only to Covered Bonds issued on or after 25 June 2014 (and which are not consolidated with and do not form a single Series with any Series of Covered Bonds issued prior to such date) and subject to receipt by the Bond Trustee and the Security Trustee of a certificate of the Issuer signed by two Issuer Authorised Signatories certifying that the requested modifications to the Terms and Conditions applying to such Covered Bonds and/or any related Receipts and/or Coupons or any Transaction Documents are to be made solely for the purposes of enabling the Issuer:
- (i) to remove any one of the Rating Agencies (a "**Removed Rating Agency**") from rating any such Series of Covered Bonds together with the related ratings criteria, rating tests, rating triggers and any and all requirements specified by and/or relating to such Removed Rating Agency (an "**Existing Rating Agency Removal**"), in so far as these relate solely to such Series of Covered Bonds issued on or after 25 June 2014; and/or
  - (ii) to reappoint any such Removed Rating Agency or substitute any such Removed Rating Agency for one of the remaining two Rating Agencies to provide a rating in respect of any such Series of Covered Bonds and include the then current relevant ratings criteria, rating tests, rating triggers and any and all relevant requirements specified by and/or relating to the reappointed Rating Agency (an "**Existing Rating Agency Reappointment**"),

(each of an Existing Rating Agency Removal and an Existing Rating Agency Reappointment a "**Ratings Modification Event**"), **provided that**, in each case and at all times, such Series of Covered Bonds continues to be rated by at least two Rating Agencies, and subject as provided below.

The holders of such Covered Bonds and other Secured Creditors shall be deemed to have instructed the Bond Trustee and the Security Trustee to concur in effecting any such Ratings Modification Event and shall be bound by the modifications to the Transaction Documents and/or these Terms and Conditions made for the purpose of implementing such Ratings Modification Event regardless of whether or not such modifications are materially prejudicial to the interests of the holders of such Covered Bonds and the other Secured Creditors, **provided that** neither the Bond Trustee nor the Security Trustee shall be obliged to agree to any Ratings Modification Event which, in the sole opinion of the Bond Trustee or the Security Trustee, would have the effect of (a) exposing the Bond Trustee and/or the Security Trustee to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (b) increasing the obligations or duties, or decreasing the protections of the Bond Trustee and/or the Security Trustee under the Transaction Documents and/or these Terms and Conditions.

(g) **Effect of Benchmark Transition Event on any SOFR linked Covered Bonds**

Notwithstanding the provisions of this Condition 14, if the Designated Transaction Representative determines on or prior to the relevant Interest Determination Date that a Benchmark Transition Event has occurred with respect to SOFR, then the Bond Trustee shall be obliged, without the consent or sanction of the Covered Bondholders (including without the requirement to provide to Covered Bondholders an opportunity to object), or any of the other Secured Creditors, to concur with the Designated Transaction Representative, and to direct the Security Trustee to concur with the Issuer or any other person and shall direct the Security Trustee to concur with the Issuer and any other person, in making any modification (other than with respect to a Series Reserved Matter, provided that neither replacing the then-current Benchmark with the Benchmark Replacement nor any Benchmark Replacement Conforming Changes (each as defined below) shall constitute a Series Reserved Matter) to these Terms and Conditions or any of the Transaction Documents solely with respect to any U.S. Dollar denominated Floating Rate Covered Bonds calculated by reference to SOFR and issued on or after 30 April 2021 that the Designated Transaction Representative decides may be appropriate to give effect to the provisions set forth under this Condition 14(g) in relation only to all determinations of the rate of interest payable on any U.S. Dollar denominated Floating

Rate Covered Bonds calculated by reference to SOFR (and any related swap agreements) and issued on or after 30 April 2021:

- I. If the Designated Transaction Representative determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any determination of the Benchmark on any date applicable to any SOFR linked Covered Bonds, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to any SOFR linked Covered Bonds in respect of such determination on such date and all determinations on all subsequent dates.
- II. In connection with the implementation of a Benchmark Replacement with respect to any SOFR linked Covered Bonds, the Designated Transaction Representative will have the right to make Benchmark Replacement Conforming Changes with respect to any SOFR linked Covered Bonds from time to time.
- III. Any determination, decision or election that may be made by the Designated Transaction Representative pursuant to this Condition 14(g), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, in each case, solely with respect to any SOFR linked Covered Bonds, will be conclusive and binding absent manifest error, may be made in the Designated Transaction Representative's sole discretion, and, notwithstanding anything to the contrary in the documentation relating to any SOFR linked Covered Bonds, shall become effective without consent, sanction or absence of objection from any other party (including Covered Bondholders).
- IV. Other than where specifically provided under this Condition 14(g) or any transaction document:
  - a. when implementing any modification pursuant to this Condition 14(g), 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 further investigation on any certificate or evidence provided to it by the Issuer or the relevant transaction party, as the case may be, pursuant to this Condition 14(g) 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. the Bond Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Bond Trustee, would have the effect of (i) exposing the Bond 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 or protections, of the Bond Trustee in the Transaction Documents and/or these Terms and Conditions.
- V. Subject as provided in sub-paragraph (IV) above, with respect to a Benchmark Transition Event, the Covered Bondholders and the other Secured Creditors shall be deemed to have instructed the Bond Trustee to concur with any amendments that the Designated Transaction Representative decides may be appropriate to give effect to the provisions set forth in this Condition 14(g) ("*Effect of Benchmark Transition Event on SOFR linked Floating Rate Covered Bonds*"), and shall be bound by them regardless of whether or not they are materially prejudicial to the interests of the Covered Bondholders or the other Secured Creditors.

VI. The following definitions shall apply with respect to this Condition 14(g):

**Benchmark** means, initially, SOFR; provided that if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to SOFR or the then-current Benchmark, then "Benchmark" means the applicable Benchmark Replacement.

**Benchmark Replacement** means the first alternative set forth in the order below that can be determined by the Designated Transaction Representative as of the Benchmark Replacement Date:

- (1) the sum of: (a) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark for the applicable Corresponding Tenor and (b) the Benchmark Replacement Adjustment;
- (2) the sum of: (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment;
- (3) the sum of: (a) the alternate rate of interest that has been selected by the Designated Transaction Representative as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for any SOFR linked Covered Bonds, as applicable, at such time and (b) the Benchmark Replacement Adjustment.

**Benchmark Replacement Adjustment** means the first alternative set forth in the order below that can be determined by the Designated Transaction Representative as of the Benchmark Replacement Date:

- (1) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected, endorsed or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;
- (2) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, then the ISDA Fallback Adjustment;
- (3) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Designated Transaction Representative giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for any SOFR linked Covered Bonds at such time.

**Benchmark Replacement Conforming Changes** means, with respect to any Benchmark Replacement, any technical, administrative or operational changes with respect to any SOFR linked Covered Bonds (including changes to the definition of "interest period", timing and frequency of determining rates and making payments of interest, changes to the definition of "Corresponding Tenor" solely when such tenor is longer than the interest period and other administrative matters) and any related Swap Agreements that the Designated Transaction Representative decides may be appropriate to reflect the adoption of such Benchmark Replacement with respect to any SOFR linked Covered Bonds in a manner substantially consistent with market practice (or, if the Designated Transaction Representative decides that adoption of any portion of such market practice is not administratively feasible or if the Designated Transaction Representative determines that no market practice for use of the



Benchmark Replacement exists, in such other manner as the Designated Transaction Representative determines is reasonably necessary).

**Benchmark Replacement Date** means:

- (1) in the case of paragraph (1) or (2) of the definition of "Benchmark Transition Event," the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the relevant Benchmark permanently or indefinitely ceases to provide such Benchmark, or
- (2) in the case of paragraph (3) of the definition of "Benchmark Transition Event," the date of the public statement or publication of information;

provided, however, that on or after the 60th day preceding the date on which such Benchmark Replacement Date would otherwise occur (if applicable), the Designated Transaction Representative may give written notice to holders of any SOFR linked Covered Bonds in which the Designated Transaction Representative designates an earlier date (but not earlier than the 30th day following such notice) and represents that such earlier date will facilitate an orderly transition of any SOFR linked Covered Bonds to the Benchmark Replacement, in which case such earlier date shall be the Benchmark Replacement Date.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination.

**Benchmark Transition Event** means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

- (1) a public statement or publication of information by or on behalf of the administrator of the Benchmark announcing that the administrator has ceased or will cease to provide the Benchmark permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark;
- (2) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark, the central bank for the currency of the Benchmark, an insolvency official with jurisdiction over the administrator for the Benchmark, a resolution authority with jurisdiction over the administrator for the Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark has ceased or will cease to provide the Benchmark permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark; or
- (3) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative.

**Compounded SOFR** means, for purposes of determining a replacement Benchmark pursuant to this Condition 14(g), the compounded average of SOFRs for the applicable corresponding tenor, with the rate, or methodology for this rate, and conventions for this rate (which, for example, may be compounded in arrears with a look-back and/or suspension period as a mechanism to

determine the interest amount payable prior to the end of each interest period or compounded in advance) being established by the Designated Transaction Representative in accordance with:

- (1) the rate, or methodology for this rate, and conventions for this rate selected or recommended by the relevant governmental body for determining Compounded SOFR; provided that:
- (2) if, and to the extent that, the Designated Transaction Representative determines that Compounded SOFR cannot be determined in accordance with paragraph (1) above, then the rate, or methodology for this rate, and conventions for this rate that have been selected by the Designated Transaction Representative giving due consideration to any industry-accepted market practice for similar U.S. dollar denominated securitisation transactions at such time.

**Corresponding Tenor** with respect to a Benchmark Replacement means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the then-current Benchmark.

**Designated Transaction Representative** means, with respect to any SOFR linked Covered Bonds and a particular obligation to be performed in connection with the transition to a Benchmark Replacement, the Issuer.

**Federal Reserve Bank of New York's website** means the website of the Federal Reserve Bank of New York at <http://www.newyorkfed.org>, or any successor source (for the avoidance of doubt, this website (and/or any successor source) and the contents thereof do not form part of this base prospectus).

**Interpolated Benchmark** with respect to the Benchmark, means the rate determined for the corresponding tenor by interpolating on a linear basis between: (1) the Benchmark for the longest period (for which the Benchmark is available) that is shorter than the corresponding tenor and (2) the Benchmark for the shortest period (for which the Benchmark is available) that is longer than the corresponding tenor.

**ISDA Definitions** means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time.

**ISDA Fallback Adjustment** means the spread adjustment, (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark for the applicable tenor.

**ISDA Fallback Rate** means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment.

**Reference Time** with respect to any determination of the Benchmark means (1) if the Benchmark is SOFR, 3:00 p.m. (London time) on the day that is two London Business Days preceding the date of such determination and (2) if the Benchmark is not SOFR, the time determined by the Designated Transaction Representative in accordance with the Benchmark Replacement Conforming Changes.

**Relevant Governmental Body** means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or

convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

**SOFR** with respect to any day means the secured overnight financing rate published for such day by the Federal Reserve Bank of New York, as the administrator of the Benchmark, (or a successor administrator) on the Federal Reserve Bank of New York's website.

**Term SOFR** means the forward-looking term rate for the applicable corresponding tenor based on SOFR that has been selected or recommended by the relevant governmental body.

**Unadjusted Benchmark Replacement** means the Benchmark Replacement excluding the applicable Benchmark Replacement Adjustment.

- VII. To the extent that there is any inconsistency between the conditions set out in this Condition 14(g) and any other Condition, the statements in this section shall prevail with respect to any SOFR linked Covered Bonds.
- VIII. Nothing in this Condition 14(g) affects the rights of the holders of Covered Bonds other than any SOFR linked Covered Bonds.
- IX. For the avoidance of doubt, the Designated Transaction Representative may propose that a Benchmark Replacement replace the then-current Benchmark and any Benchmark Replacement Conforming Changes on more than one occasion provided that the conditions set out in this Condition 14(g) are satisfied.

Notwithstanding the above, the Issuer, the LLP and the Principal Paying Agent may agree, without the consent of the Bond Trustee, the Security Trustee, the Covered Bondholders, Receiptholders or Couponholders or any of the other Secured Creditors, to any modification of any of the provisions of any Final Terms Document which is of a formal, minor or technical nature or is made to correct a proven or manifest error or to comply with any mandatory provisions of law.

The Bond Trustee may also agree, without the consent of the Covered Bondholders of any Series, the related Receiptholders and/or Couponholders, to the waiver or authorisation of any breach or proposed breach of any of the provisions of the Covered Bonds of any Series, or determine, without any such consent as aforesaid, that any Issuer Event of Default or LLP Event of Default or Potential Issuer Event of Default or Potential LLP Event of Default shall not be treated as such, **provided that**, in any such case, it is not, in the sole opinion of the Bond Trustee, materially prejudicial to the interests of any of the Covered Bondholders of any Series. The Security Trustee may also agree, without the consent of the Covered Bondholders of any Series, the related Receiptholders and/or Couponholders or any other Secured Creditor, to the waiver or authorisation of any breach or proposed breach of any of the provisions of the Transaction Documents, **provided that**, in any such case, it is not, in the sole opinion of the Security Trustee, materially prejudicial to the interests of any of the Covered Bondholders of any Series, or the Covered Bond Swap Providers or the Interest Rate Swap Provider, except for any Covered Bond Swap Provider or the Interest Rate Swap Provider who is a member of the Enlarged Santander UK Group.

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

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

The Bond Trustee and the Security Trustee shall, without the consent or sanction of any of the Covered Bondholders of any Series, the related Receiptholders and/or the Couponholders or any other Secured Creditors (except for any Covered Bond Swap Provider), concur with the Issuer in making any modifications to the Transaction Documents and/or these Terms and Conditions that are requested by the Issuer to comply with any criteria of the Rating Agencies which may be published after 9 September 2011 and which the Issuer certifies to the Bond Trustee and the Security Trustee in writing are required to avoid a downgrade, withdrawal or suspension of the then current ratings assigned by a Rating Agency to any Series of the Covered Bonds, **provided that** the Bond Trustee and the Security Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Bond Trustee and the Security Trustee, as applicable, would have the effect of (a) exposing the Bond Trustee and the Security Trustee, as applicable, to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (b) increasing the obligations or duties, or decreasing the protections, of the Bond Trustee and the Security Trustee, as applicable in the Transaction Documents and/or these Terms and Conditions. For the avoidance of doubt, such modifications may include, without limitation, modifications which would allow any Swap Provider not to post collateral in circumstances where it previously would have been obliged to do so.

Where the Security Trustee is unable to determine whether any such modification, waiver or authorisation is materially prejudicial to any of the Covered Bond Swap Providers or the Interest Rate Swap Provider, except for any Covered Bond Swap Provider or the Interest Rate Swap Provider who is a member of the Enlarged Santander UK Group, it shall give written notice to such Covered Bond Swap Provider or the Interest Rate Swap Provider, setting out the relevant details and requesting its consent thereto. Any such Covered Bond Swap Provider or the Interest Rate Swap Provider, shall, within ten London Business Days of receipt of such notice (the "**Relevant Period**"), notify in writing the Security Trustee of:

- (a) its consent (such consent not to be unreasonably withheld or delayed) to such proposed modification, waiver or authorisation; or
- (b) subject to paragraph (a) above, its refusal to give such consent and reasons for such refusal (such refusal not to be unreasonable in the circumstances).

Any failure by the relevant Covered Bond Swap Provider or the Interest Rate Swap Provider to notify the Security Trustee as aforesaid within the Relevant Period shall be deemed to be consent by the relevant Swap Provider to such proposed modification, waiver or authorisation.

The Security Trustee may (without further enquiry) rely upon the consent or refusal in writing of any Covered Bond Swap Provider or the Interest Rate Swap Provider, as provided above, and shall have no liability to any Covered Bond Swap Provider, the Interest Rate Swap Provider or any other Secured Creditor for consenting or not consenting (as the case may be) to a modification, waiver or authorisation on the basis of any such consent or refusal in writing or any deemed consent as provided above.

Any such modification, waiver, authorisation or determination shall be binding on all Covered Bondholders of all Series of Covered Bonds, the related Receiptholders and the Couponholders and the other Secured Creditors, and unless the Security Trustee and the Bond Trustee otherwise agree, any such modification shall be notified by the Issuer to the Covered Bondholders of all Series of Covered Bonds for the time being outstanding and the other Secured Creditors in accordance with the relevant terms and conditions as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Bond Trustee and (where it is required to have regard to the interests of the Covered Bondholders) 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, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Covered Bondholders, the related Receiptholders, 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, Receiptholder 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 or stamp duty consequences of any such exercise upon individual Covered Bondholders, Receiptholders and/or Couponholders, except to the extent already provided for in Condition 7 (*Taxation*) of these Terms and Conditions or Condition 6 (*Taxation*) of any N Covered Bond Conditions and/or in any undertaking or covenant given in addition to, or in substitution for, Condition 7 (*Taxation*) of these Terms and Conditions or Condition 6 (*Taxation*) of any N Covered Bond Conditions pursuant to the Trust Deed.

**Provided that** the Bond Trustee and the Security Trustee shall have received a certificate signed by two Issuer Authorised Signatories and a certificate of a Designated Member of the LLP stating that, immediately after giving effect to the matters set out in this paragraph, no Issuer Event of Default or Potential Issuer Event of Default (in respect of the Issuer) or LLP Event of Default or Potential LLP Event of Default (in respect of the LLP), respectively, shall have occurred and be continuing and certain other conditions as are specified in the Trust Deed are satisfied, but without the consent of the holders of Covered Bonds of any Series, the Coupons and Receipts related thereto, or of any other Secured Creditor: a Subsidiary of the Issuer may assume the obligations of the Issuer as principal obligor under the Trust Deed and the other Transaction Documents in respect of all Series of Covered Bonds. The Trust Deed provides that any such assumption shall be notified to the holders of all Series of Covered Bonds (in accordance with the relevant terms and conditions of such Covered Bonds).

The Issuer may, without the consent of the holders of the Covered Bonds of any Series or any Receipts or Coupons relating thereto, or any other Secured Creditor, consolidate with, merge or amalgamate into or transfer its assets substantially as an entirety to, any corporation organised under the laws of the United Kingdom, or any political subdivision thereof, **provided that:**

- (i) a certificate of two Issuer Authorised Signatories and a certificate of a Designated Member of the LLP is delivered to the Bond Trustee and the Security Trustee to the effect that, immediately after giving effect to such transaction no Issuer Event of Default or Potential Issuer Event of Default (in respect of the Issuer) and no LLP Event of Default or Potential LLP Event of Default (in respect of the LLP), respectively, shall have occurred and be continuing;
- (ii) unless the Issuer is the surviving entity, the Issuer shall procure that the surviving or transferee company assumes its obligations as Issuer under the Trust Deed, each other relevant Transaction Document and all of the outstanding Covered Bonds of all Series, in place of the Issuer;
- (iii) in the case of an assumption of the obligations of the Issuer by a successor or transferee company, the guarantee of the LLP shall remain fully effective on the same basis in relation to the obligations of such successor or transferee company;
- (iv) certain other conditions set out in the Trust Deed are met. Upon the assumption of the obligations of the Issuer by such surviving or transferee company, the predecessor Issuer shall (subject to the provisions of the Trust Deed) have no further liabilities under or in respect of the Trust Deed or the outstanding Covered Bonds of each Series or any Coupons or Receipts appertaining thereto and the other Transaction Documents. Any such assumption shall be subject to the relevant provisions of the Trust Deed. The Trust Deed provides that any such assumption shall be notified to the holders of all Series of Covered Bonds in accordance with the relevant Terms and Conditions of such Covered Bonds and the other Secured Creditors; and
- (v) any such surviving entity, successor or transferee company assuming the obligations of the Issuer is included in the register of issuers pursuant to the RCB Regulations and that all other provisions (including Regulation 19 (*Change of Issuer*)) of the RCB Regulations are satisfied prior to the substitution of the Issuer.

For the purposes hereof:

**"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; and

**"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.

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

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

The Trust Deed and the Deed of Charge contain provisions for the indemnification of the Bond Trustee and the Security Trustee and for their relief from responsibility, including provisions relieving them from taking any action unless indemnified and/or secured to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which each of the Bond Trustee and Security Trustee, respectively, is entitled, *inter alia*, (i) to enter into business transactions with the Issuer, the LLP and/or any of their respective Subsidiaries and affiliates and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the LLP and/or any of their respective Subsidiaries and affiliates, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Covered Bondholders, Receiptholders or Couponholders or any other Secured Creditors, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

Neither the Bond Trustee nor the Security Trustee will be responsible for any loss, expense or liability, which may be suffered as a result of any Loans or Related Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Bond Trustee and/or the Security Trustee. Neither the Bond Trustee nor the Security Trustee will be responsible for (i) supervising the performance by the Issuer, the LLP or any other party to the Transaction Documents of their respective obligations under the Transaction Documents and the Bond Trustee and the Security Trustee will be entitled to assume, until they each have written notice to the contrary, that all such persons are properly performing their duties, (ii) considering the basis on which approvals or consents are granted by the Issuer, the LLP or any other party to the Transaction Documents under the Transaction Documents, (iii) monitoring the Portfolio, including, without limitation, whether the Portfolio is in compliance with the Asset Coverage Test, the Amortisation Test or the Pre-Maturity Test, or (iv) monitoring whether Loans and Related Security satisfy the Eligibility Criteria. Neither the Bond Trustee nor the Security Trustee will be liable to any Covered Bondholder or other Secured Creditor for any failure to make or to cause to be made on their behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the Security and have no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents.

16. **Further Issues**

The Issuer shall be at liberty, from time to time without the consent of the Covered Bondholders, the Receiptholders or the Couponholders or any Secured Creditors, 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 and guaranteed by the LLP save for the issue price and date of issue thereof and the amount and date of the first payment of interest thereon, and so as to be consolidated and form a single Series with the outstanding Covered Bonds of such Series; **provided however, that** if such further Covered Bonds are not issued as part of the same "issue" or in a "qualified reopening" for U.S. federal income tax purposes such further Covered Bonds will have a separate CUSIP number than that assigned to the previously issued Covered Bonds.

17. **Ratings Confirmations**

17.1 By subscribing for or purchasing Covered Bond(s), each Covered Bondholder shall be deemed to have acknowledged and agreed that a credit rating of a Series of Covered Bonds is an assessment of credit risk and does not address other matters that may be of relevance to Covered Bondholders, including, without limitation, in the case of a confirmation by a Rating Agency that 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 will not have an adverse effect on the then current rating of the Covered Bonds or cause such rating to be withdrawn (a "**Rating Agency Confirmation**"), whether such action is either (i) permitted by the terms of the relevant Transaction Document or (ii) in the best interests of, or not prejudicial to, some or all of the Covered Bondholders.

17.2 In being entitled to have regard to the fact that a Rating Agency has confirmed that the then current rating of the relevant Series of 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 a Rating Agency Confirmation does not impose or extend any actual or contingent liability on the Rating Agencies to the Issuer, the LLP, the Bond Trustee, the Security Trustee, the Secured Creditors (including the Covered Bondholders) or any other person or create any legal relations between the Rating Agencies and the Issuer, the LLP, the Bond Trustee, the Security Trustee, the Secured Creditors (including the Covered Bondholders) or any other person, whether by way of contract or otherwise.

17.3 By subscribing for or purchasing Covered Bond(s), each Covered Bondholder shall be deemed to have acknowledged and agreed that:

- (a) a Rating Agency Confirmation may or may not be given at the sole discretion of each Rating Agency;
- (b) depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that a Rating Agency cannot provide a Rating Agency Confirmation in the time available, or at all, and the Rating Agency shall not be responsible for the consequences thereof;
- (c) a Rating Agency Confirmation, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time, and in the context of cumulative changes to the transaction of which the Covered Bonds forms a part; and
- (d) a Rating Agency Confirmation represents only a restatement of the opinions given, and shall not be construed as advice for the benefit of any Covered Bondholder or any other party.

17.4 The Bond Trustee shall be entitled to take into account for the purpose of exercising or performing any right, power, trust, authority, duty or discretion under or in relation to these presents or any other Transaction Document, among other things, to the extent that it considers, in its sole and absolute discretion, it is necessary and/or appropriate and/or relevant, any Rating Agency Confirmation. If any Rating Agency then rating the Covered Bonds either: (i) does not respond to a request to provide a Rating Agency Confirmation within 7 days after such request is made; or

(ii) provides a waiver or acknowledgement indicating its decision not to review or otherwise declining to review the matter for which the Rating Agency Confirmation is sought, the requirement for the Rating Agency Confirmation from the relevant Rating Agency with respect to such matter will be deemed waived and neither the Bond Trustee nor the Security Trustee shall be liable for any losses Covered Bondholders or any Secured Creditors may suffer as a result.

18. **Contracts (Rights of Third Parties) Act 1999**

No person (other than the Rating Agencies in respect of Condition 17 (*Ratings Confirmations*)) shall have any right to enforce any term or condition of the Covered Bonds under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. **Governing Law**

The Trust Deed, the Agency Agreement, the Covered Bonds, the Receipts, the Coupons and the other Transaction Documents (other than each Scottish Declaration of Trust and certain documents to be granted pursuant to the Deed of Charge) are governed by, and shall be construed in accordance with, English law unless specifically stated to the contrary. Each Scottish Declaration of Trust is governed by, and shall be construed in accordance with, Scots law. Certain documents to be granted pursuant to the Deed of Charge will be governed by, and construed in accordance with, Scots law. Those aspects of the Transaction Documents specific to Northern Irish Loans will be governed by Northern Irish law. Any non-contractual matter, claim or dispute arising out of or in connection with the LLP Deed, the Master Definitions and Construction Agreement, the Trust Deed, the Covered Bonds, the Receipts and the Coupons is governed by, and shall be determined in accordance with, English law unless specifically stated to the contrary.



## USE OF PROCEEDS

The gross proceeds (or the Sterling Equivalent thereof) 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 exchanging the proceeds of the Term Advances into Sterling, if necessary) either:

- (a) to acquire Loans and their Related Security;
- (b) subject to compliance with the Asset Coverage Test, to make a Capital Distribution to a Member;
- (c) to invest the same in Substitution Assets up to the prescribed limit;
- (d) if an existing Series, or part of an existing Series, of Covered Bonds is being refinanced by such issue of Covered Bonds, to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced; and/or
- (e) to deposit all or part of the proceeds into the GIC Account.

In relation to paragraphs (b), (d) and (e) above, the LLP must first use the proceeds of any Term Advance (if not denominated in Sterling, upon exchange into Sterling under the applicable Covered Bond Swap) 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 and/or the acquisition of Substitution Assets (in an amount up to but not exceeding the prescribed limit) to the extent required to ensure that the Asset Pool is sufficient to satisfy the Asset Coverage Test. However, the proceeds may be applied in accordance with paragraph (e) above at any time pending application in accordance with paragraphs (a) to (d) above.

The applicable Final Terms Document for a Tranche of Covered Bonds issued under the Programme may specify one or more of the above ways in which the gross proceeds of that issue will be used by the LLP.

## SANTANDER UK PLC AND THE SANTANDER UK GROUP

### Background

Santander UK plc (the "**Issuer**") is a public limited liability company that was incorporated in England and Wales on 12 September 1988 (then called Abbey National plc) under the Companies Act 1985 with registered number 2294747 and is the successor company to which Abbey National Building Society transferred its business in July 1989.

The principal executive office and registered office of the Issuer is at 2 Triton Square, Regent's Place, London, NW1 3AN. The telephone number of the Issuer is +44 (0) 800 389 7000.

The Issuer is a wholly-owned subsidiary of Santander UK Group Holdings plc. Banco Santander, S.A. ("**Banco Santander**") and its subsidiary Santusa Holding, S.L. together hold the entire issued share capital of Santander UK Group Holdings plc.

### *Corporate Purpose*

The Issuer's purpose is to be the best bank for customers, shareholders, people and communities by acting responsibly.

### Business and Support Divisions

The Issuer, headed by Nathan Bostock, Chief Executive Officer, operates four business divisions as follows:

#### *Retail Banking*

Retail Banking offers a wide range of products and financial services to individuals and small businesses through the Issuer's omni-channel presence comprising branches, ATMs, telephony, digital and intermediary channels. Retail Banking includes business banking customers, small businesses with simple banking needs and Santander Consumer Finance, predominantly a vehicle finance business.

#### *Corporate and Commercial Banking*

Corporate and Commercial Banking offers a wide range of financial services and solutions to more complex businesses across multiple sectors, typically with annual turnovers of between £2 million and £500 million. Service and expertise are provided by relationship managers, product specialists and through digital and telephony channels, and cover client's needs both in the U.K. and overseas.

#### *Corporate and Investment Banking*

Corporate and Investment Banking ("**CIB**") services corporate clients with an annual turnover of £500 million and above. CIB clients require specially tailored solutions and value-added services due to their size, complexity and sophistication. CIB provides these clients with products to manage currency fluctuations, protect against interest rate risk, and arrange capital markets finance and specialist trade finance solutions, as well as providing support to the rest of the Issuer's business segments.

#### *Corporate Centre*

Corporate Centre mainly includes the treasury, non-core corporate and legacy portfolios. Corporate Centre is also responsible for managing capital and funding, balance sheet composition, structure, pension and strategic liquidity risk. To enable a more targeted and strategically aligned apportionment of capital and other resources, revenues and costs incurred in Corporate Centre are allocated to the three business segments. The non-core corporate and legacy portfolios are being run-down and/or managed for value.

## Directors of Santander UK plc

The following table sets forth the directors of the Issuer.

| <b>Position</b>   | <b>Name</b>                 | <b>Other Principal Activities</b>   |
|---|-----------------------------|---|
| Chair   | William Vereker             | Chair, Santander UK Group Holdings plc  |
| Executive Director and Chief Executive Officer  | Nathan Bostock <sup>3</sup> | Chief Executive Officer, Santander UK Group Holdings plc<br>Member of the Financial Services Trade and Investment Board   |
| Executive Director and Deputy Chief Executive Officer   | Tony Prestedge              |   |
| Executive Director and Chief Financial Officer  | Duke Dayal                  | Chief Financial Officer, Santander UK Group Holdings plc  |
| Independent Non-Executive Director, Employee Designated Director and Senior Ring-Fencing Director | Annemarie Durbin            | Non-Executive Director and Chair of the Remuneration Committee of WH Smith PLC<br>Chair, Cater Allen Limited<br>Chair, Merryk & Co. Limited<br>Non-Executive Director and Chair of Remuneration Committee of Persimmon Plc.   |
| Independent Non-Executive Director  | Ed Giera                    | Independent Non-Executive Director, Santander UK Group Holdings plc<br>Non-Executive Director, Renshaw Bay Real Estate Finance Fund   |
| Independent Non-Executive Director and Santander UK plc's Whistleblower's Champion                | Chris Jones                 | Independent Non-Executive Director, Santander UK Group Holdings plc<br>Independent Non-Executive Director of Legal & General Investment Management (Holdings) Limited<br>Non-Executive Director, Redburn (Europe) Ltd<br>Audit and Risk Committee Member, Wellcome Trust<br>Board member, Audit Committee Chair's Independent Forum |
| Independent Non-Executive Director  | Genevieve Shore             | Independent Non-Executive Director, Rugby Football Union  |
| Independent Non-Executive Director  | Mark Lewis                  |   |

<sup>3</sup> On 28 April 2021, Santander announced that Nathan Bostock will step down as Chief Executive Officer towards the end of 2021 when a successor has been appointed.

| <b>Position</b>                                  | <b>Name</b>          | <b>Other Principal Activities</b>   |
|--|----------------------|---|
| Banco Santander Nominated Non-Executive Director | Ana Botín            | Non-Executive Director, Santander UK Group Holdings plc<br>Executive Chair and Director, Banco Santander SA<br>Non-Executive Director, The Coca-Cola Company<br>Vice-Chair, the Empresa y Crecimiento Foundation<br>Member of the MIT's CEO Advisory Board<br>Vice-Chair World Business Council for Sustainable Development<br>Appointed to the IMF external advisory Board in March 2020 |
| Independent Non-Executive Director               | Garrett Curran       | Board Member of EQCapital SLU<br>Board Member of Les Trois Rocs SA<br>Senior Adviser to Cambridge Machines Pte Ltd  |
| Banco Santander Nominated Non-Executive Director | Bruce Carnegie-Brown | Non-Executive Director, Santander UK Group Holdings plc<br>Vice Chairman and Lead Independent Director, Banco Santander SA<br>Chairman, Lloyd's of London<br>Chair, Cuvva Limited   |
| Banco Santander Nominated Non-Executive Director | Dirk Marzluf         | Chairman, Santander Global Operations SA<br>Chairman, Santander Global Technology SL  |

The business address of each of the directors is 2 Triton Square, Regent's Place, London NW1 3AN with telephone number +44 (0) 800 389 7000.

### **Conflicts of Interest**

There are no potential conflicts of interest between the duties to the Issuer of the persons listed under "*Directors of Santander UK plc*" above and their private interests and/or other duties.

### **Credit Ratings**

As at the date of this Prospectus, the long-term obligations of the Issuer are rated A by S&P, A1 by Moody's and A+ by Fitch, and the short-term obligations of the Issuer are rated A-1 by S&P, P-1 by Moody's and F1 by Fitch.

## ABBEY COVERED BONDS LLP

Abbey Covered Bonds LLP (the "**LLP**") was incorporated in England and Wales on 8 April 2005 as a limited liability partnership (with registered number OC312644) with limited liability under the Limited Liability Partnerships Act 2000.

The LLP's registered office is at 2 Triton Square, Regent's Place, London, NW1 3AN. The telephone number of the LLP's registered office is +44 (0) 800 389 7000.

The LLP forms a group with its Members (see below) and has no subsidiaries. The LLP is dependent on Santander UK to provide certain management and administrative services to it, on the terms of the Transaction Documents.

The principal activities of the LLP are set out in the LLP Deed and include, *inter alia*, the ability to carry on the business of acquiring the Loans and their Related Security pursuant to the terms of the Mortgage Sale Agreement with a view to profit, to borrow money and to do all such things as are incidental or conducive to the carrying on of that business.

The LLP has not engaged since 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, 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:

| <u>Name</u>  | <u>Registered Office</u>  |
|--|---|
| Santander UK plc   | 2 Triton Square, Regent's Place, London NW1 3AN   |
| Abbey Covered Bonds (LM) Limited (the " <b>Liquidation Member</b> ") | c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London EC2R 7AF |

### Directors of the Members

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

| <u>Name</u>                                   | <u>Business Address</u>                          | <u>Business Occupation</u> |
|---|--|----------------------------|
| Daniel Jonathan Wynne                         | Third Floor, 1 King's Arms Yard, London EC2R 7AF | Director                   |
| Thomas Ranger                                 | 2 Triton Square, Regent's Place, London NW1 3AN  | Director                   |
| Wilmington Trust SP Services (London) Limited | Third Floor, 1 King's Arms Yard, London EC2R 7AF | -                          |

The following table sets out the directors of Wilmington Trust SP Services (London) Limited and their respective business addresses and occupations.

| <u>Name</u>                     | <u>Business Address</u>                          | <u>Business Occupation</u> |
|---------------------------------|--|----------------------------|
| Alexander James Rowland Pashley | Third Floor, 1 King's Arms Yard, London EC2R 7AF | Director                   |
| Alan Geraghty                   | Third Floor, 1 King's Arms Yard, London EC2R 7AF | Accountant                 |

| <b>Name</b>           | <b>Business Address</b>                           | <b>Business Occupation</b> |
|-----------------------|---|----------------------------|
| Nicolas Patch         | Third Floor, 1 King's Arms Yard, London EC2R 7AF  | Director                   |
| Angela Icolaro        | Third Floor, 1 King's Arms Yard, London, EC2R 7AF | Director                   |
| Daniel Jonathan Wynne | Third Floor, 1 King's Arms Yard, London EC2R 7AF  | Director                   |

The directors of Santander UK plc are set out above in the section "*Santander UK plc and the Santander UK Group – Directors of Santander UK plc*".

At the date of this Prospectus, the following are the members of the LLP Management Board:

| <b>Position in the LLP</b>     | <b>Name</b>     | <b>Principal Activities outside the LLP</b>              |
|--------------------------------|-----------------|--|
| Member of the Management Board | Thomas Ranger   | Treasurer, Santander UK plc                              |
| Member of the Management Board | Rachel Morrison | Director of External Reporting, Santander UK plc         |
| Member of the Management Board | Bill Shao       | Director of Market and Structural Risk, Santander UK plc |
| Member of the Management Board | Duke Dayal      | Chief Financial Officer, Santander UK plc                |

The business address of all the members of the LLP Management Board listed above is 2 Triton Square, Regent's Place, London, NW1 3AN.

No potential conflicts of interest exist between any duties to the LLP of the directors of the Members (being Santander UK plc and the Liquidation Member), the directors of Wilmington Trust SP Services (London) Limited (as a corporate director of the Liquidation Member) or the LLP Management Board, as described above, and their private interests or other duties in respect of their management roles.

The LLP has no employees.

As at the date of this Prospectus, the LLP is controlled by Santander UK. To ensure that such control is not abused, the Members of the LLP and the LLP, *inter alios*, have entered into the LLP Deed which governs the operation of the LLP.

In the event of the appointment of a liquidator or an administrator to Santander UK, Abbey Covered Bonds (LM) Limited would take control of the LLP.

The LLP's audited accounts for the years ended 31 December 2019 and 31 December 2018 have been delivered to the Registrar of Companies in England and Wales. The LLP's accounting reference date is 31 December.

## **REGULATION OF THE SANTANDER UK GROUP**

As a financial services group, Santander UK is subject to extensive financial services laws, regulations, administrative actions and policies in the U.K. and in each other location in which Santander UK operates. This intensive approach to supervision is maintained in the United Kingdom by the PRA and the FCA. As well as being subject to U.K. regulation, as part of the Banco Santander group, Santander UK is also affected by other regulators, such as the Banco de España and the ECB, as well as various legal and regulatory regimes (including the U.S.) that have extra-territorial effect. Extensive legislation and implementing regulations affecting the financial services industry have recently been adopted in regions that directly or indirectly affect Santander UK's business, including Spain, the U.S., the EU and other jurisdictions.

### **Approach of the Financial Conduct Authority (FCA)**

As per the FSMA (amended by the Financial Services Act 2012), the FCA has a strategic objective to ensure that the relevant markets function well. In support of this, the FCA has three operational objectives: to secure an appropriate degree of protection for consumers; to protect and enhance the integrity of the U.K. financial system and to promote effective competition in the interests of consumers.

The FCA Handbook sets out rules and guidance across a range of conduct issues with which financial institutions are required to comply including high level principles of business and detailed conduct of business standards and reporting standards.

### **Regulatory Approach of the PRA**

As per the Financial Services Act 2012, the PRA has two primary objectives: to promote the safety and soundness of the firms which it regulates and, with respect to insurers, to contribute to the securing of an appropriate degree of protection for policyholders. The PRA has a secondary objective in respect of the promotion of effective competition in the markets for services provided by PRA authorised firms. The PRA's regulatory and supervisory approach incorporates three key characteristics: to take a judgement-based approach, a forward-looking approach, and a focused-approach.

The PRA Rulebook includes regulations and guidance relating to capital adequacy and liquidity, among several other things.

### **U.S. regulation**

Within the Dodd-Frank Act, the so-called Volcker Rule prohibits 'banking entities', including the Santander UK Group, from engaging in certain forms of proprietary trading or from sponsoring or investing in certain covered funds, in each case subject to certain exemptions, including exemptions permitting foreign banking entities to engage in trading and fund activities that take place solely outside of the U.S. The final rules contain exclusions and certain exemptions for market-making, hedging, underwriting, trading in U.S. government and agency obligations as well as certain foreign government obligations, trading solely outside the U.S., and also permit ownership interests in certain types of funds to be retained. The Santander UK Group was generally required to come into compliance with the Volcker Rule by July 2015. In August 2019, the Federal Reserve and other federal regulators approved certain modifications to the Volcker Rule which included modifications to the scope of restrictions on proprietary trading and investments in covered funds which generally operated to simplify and reduce compliance requirements. The effective date of these amendments was 1 January 2020 with compliance required by 1 January 2021. In June 2020, the same federal regulators approved a final rule that makes significant revisions to the covered funds provisions of the Volcker Rule. These revisions include (i) new exclusions for credit funds, venture capital funds, family wealth management vehicles, and client facilitation vehicles, and an expanded scope for the public welfare fund exclusion; and (ii) revisions to address practical obstacles to reliance on the existing exclusions for loan securitisations, foreign public funds, and small business investment companies. These amendments to the Volcker Rule became effective 1 October 2020.

### **The Banking Act 2009**

The special resolution regime set out in the Banking Act provides HM Treasury, the BoE, the PRA and the FCA with a variety of powers for dealing with U.K. deposit taking institutions (and, in certain circumstances, their holding companies) that are failing or likely to fail, including: (i) to take a bank or bank holding company into temporary public ownership; (ii) to transfer all or part of the business of a bank

to a private sector purchaser; or (iii) to transfer all or part of the business of a bank to a 'bridge bank'. The special resolution regime also comprises a separate insolvency procedure and administration procedure each of which is of specific application to banks. These insolvency and administration measures may be invoked prior to the point at which an application for insolvency proceedings with respect to a relevant institution could be made.

The Financial Services (Banking Reform) Act 2013 further amended the Banking Act to introduce a U.K. 'bail-in power' to implement the EU Bank Recovery and Resolution Directive ("**BRRD**"), which contains a bail-in power similar to that contained in the Banking Act and requires EU Member States to provide resolution authorities with the power to write down the claims of unsecured creditors of a failing institution and to convert unsecured claims to equity (subject to certain parameters). The U.K. bail-in power is an additional power available to the U.K. resolution authorities under the special resolution regime provided for in the Banking Act. This enables them to recapitalise a failed institution by allocating losses to such institution's shareholders and unsecured creditors, subject to the rights of such shareholders and unsecured creditors to be compensated under a bail-in compensation order.

### **Competition**

In the U.K. and elsewhere, there is continuing political, competitive and regulatory scrutiny of the banking industry. Political involvement in the regulatory process, in the behaviour and governance of the U.K. banking sector and in the major financial institutions in which the U.K. Government has a direct financial interest is likely to continue. The CMA is the U.K.'s main competition authority responsible for ensuring that competition and markets work well for consumers. In addition, under the Banking Reform Act, as of 1 April 2015, the FCA has the power to enforce against breaches of the Competition Act 1998 and to refer markets to the CMA for in-depth investigation in the areas of financial services in the U.K.. As of 1 April 2015, the PSR also has an objective and powers equivalent to those of the FCA to promote competition in the payments industry.

### **Payments**

Within the U.K., the Payment Systems Regulator has mandated that Santander UK builds systems and processes for both Confirmation of Payee as well as the Contingent Reimbursement Model Code ("**CRM**") both of which aim to reduce the level of customer fraud (particularly through our customer's manipulation into making payments known as "Authorised Push Payment" fraud). Under these standards, Santander UK assumes responsibility for certain categories of customer losses, and inherent failings in system design may lead to fines from regulators and/or compensation being paid to customers. Santander UK also expects to see significant developments in the key UK payment systems architecture - with systems update of the high value CHAPS system through Real Time Gross Settlement ("**RTGS**") renewal as well as the "New Payments Architecture" for faster payments, BACS and the other lower value retail payment schemes. The COVID-19 pandemic has also accelerated the existing trend of declining use of cash. Combined with existing overcapacity, this has led the industry to consider the creation of a single "Cash Utility" which would manage the operation of all cash processing infrastructure within the U.K.. The Second Payment Services Directive ("**PSD2**") has been implemented within the U.K. and the U.K. continues to build upon the requirements within the EBA Regulatory Technical Standards via the Open Banking API industry standard and build. Santander UK has also adapted systems and pricing to comply with other European regulations - including the Second Cross Border Payments Regulation which has required Santander UK to baseline the majority of EEA currency payments against their domestic equivalents in price.

Finally, Santander UK has reviewed its use of European payments systems and processes in light of the end of the UK's transition period with the EU and has concluded that it can remain within the SEPA Payment Scheme and continue to send SEPA Euro Payments via Madrid to EEA beneficiaries. However, as it is not domiciled in the EU, it has needed to exit the other (high value) Euro payment schemes, being EURO1 and Target 2. It has negotiated new arrangements to access those systems via Madrid and a correspondent banking relationship agreement has been agreed and is operational.

### **Financial Crime**

On 30 May 2018, the Council of EU and the European Parliament amended the Fourth Anti-Money Laundering Directive, publishing the amending Directive (EU) No 2018 / 843 ("**5th AMLD**").



The 5th AMLD brought in increased corporate transparency rules, introduced the application of AML rules to firms providing services associated with virtual currencies and further extended enhanced due diligence requirements to all transactions with natural persons or legal entities established in third countries identified as high-risk countries ("**HRTCs**") pursuant to Article 9(2) of the Directive.

The 5th AMLD was transposed into U.K. law by the Money Laundering and Terrorist Financing (Amendment) Regulations 2019 (the "**MLRs**"), which came into effect on 10 January 2020. The MLRs (amongst other changes):

- Introduce a requirement to report beneficial ownership discrepancies to Companies House
- Introduce prescribed EDD measures in respect of transactions and customers resident in a High-Risk Third Country
- Treat new types of transactions, such as those related to cultural artefacts or items of archaeological, historical, cultural or religious significance, as potentially high risk.

On 25 March 2021, HM Treasury published a new statutory instrument, The Money Laundering and Terrorist Financing (Amendment) (High Risk Countries) Regulations 2021 amending the MLRs by replacing references to the European Commission's list of HRTCs (in respect of which enhanced customer due diligence measures must be taken under the MLRs) with a UK list identified in a new Schedule 3ZA to the MLRs. This is the first exercise of the powers in section 49 (money laundering and terrorist financing etc.) of the Sanctions and Anti-Money Laundering Act 2018 ("**UK Sanctions and AML Act**"). The UK list of HRTCs came into force on 26 March 2021.

To ensure regulatory continuity post-Brexit, the U.K. Sanctions and AML Act enables the U.K. to continue to implement United Nations sanctions regimes following Brexit. The Act also gives the U.K. the ability to impose its own sanctions regime which is likely to follow the approach of the EU but could deviate in some areas. Separately, the Money Laundering and Transfer of Funds (Information) (Amendment) (EU Exit) Regulations 2019 will ensure that the U.K.'s current AML Regime continues to operate effectively once the U.K. ceases to be a member of the EU.

The U.K. has followed EU legislation during the Brexit implementation period, until 31 December 2020, and no immediate divergence is expected either on sanctions or the AML/CTF regime after this date.

The possibility of divergence has also been reduced by the FCA's Temporary Transitional Power. Under this, a standstill direction has been issued which stipulates that until 31 March 2022, firms can continue to comply with the legal framework in place in the U.K. immediately before 31 December 2020. Financial crime legislation is covered by the standstill direction.

As regards sanctions, the current U.S. administration continues to apply these regularly against individuals, entities and countries. The re-introduction of primary and secondary sanctions against Iran occurred in November 2018, following the U.S. withdrawal from the Joint Comprehensive Plan of Action. Sanctions against Iran have since then increased further in some areas. Although Iran announced its intention to no longer abide by the EU nuclear deal, the reimposition of comprehensive EU sanctions against Iran has not occurred, but remains a possibility.

The banking sector continues to be subject to the Suspicious Activity Reporting ("**SAR**") regime laid out in the Proceeds of Crime Act 2002. The regime is one of the key tools to inform law enforcement agencies and the National Crime Agencies of suspicious (potentially money laundering) activity. In 2018, the U.K. Government asked the Law Commission to conduct a review of the legislation underpinning the regime. The review was completed in July 2019 and concluded that the breadth of the legal framework, including the pressure to submit SARs that is driven by individual criminal liability for failing to submit one when 'suspicious', means that SARs regime suffers from very large SARs volumes.

The U.K.'s SARs Reform Programme, which operates within the confines of the Government's Economic Crime Plan 2019-2022, is exploring how banks could, together with government, target their joint efforts to produce and act quickly on higher value intelligence, thereby acting on some of the Law Commission's findings.

Separately, in 2019 the UK Parliament's Treasury Select Committee concluded its inquiry into Economic Crime, with the report published in two parts. The first part commented primarily on the fragmented

approach to AML supervision in the U.K., while the second part focused on the changes required to make banking safer for consumers from a fraud perspective.

In October 2020, the UK Parliament's Treasury Select Committee launched a new inquiry to review progress made against both these strands. The inquiry will also focus on recent developments such as the FinCEN papers and trends emerging from the coronavirus crisis.

## 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 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*");
- the covenants of the Issuer and the Guarantor;
- the terms of the Covered Bond Guarantee (as described below);
- the enforcement procedures relating to the Covered Bonds and the Covered Bond Guarantee; and
- the appointment, powers and responsibilities of the Bond Trustee and the circumstances in which the Bond Trustee may resign, retire or be removed.

### Covered Bond Guarantee

Under the terms of the Covered Bond Guarantee, if the Issuer defaults in the payment on the due date of any monies due and payable under or pursuant to the Trust Deed or the Covered Bonds or any Receipts or Coupons, or if any other Issuer Event of Default occurs (other than by reason of non-payment), and, in either case, if the Bond Trustee has served an Issuer Acceleration Notice, the LLP has agreed (subject as described below) to pay or procure to be paid (following service of a Notice to Pay) 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, the Extended Due for Payment Date, by the Issuer. 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 Business Days following service of a Notice to Pay on the LLP and (b) the day on which the Guaranteed Amounts are otherwise Due for Payment (the "**Guaranteed Amounts Due Date**"). In addition, the LLP shall, to the extent it has funds available to it, make payments in respect of the unpaid portion of the Final Redemption Amount on any Original Due for Payment Date up until the Extended Due for Payment Date. The Bond Trustee will be required to serve a Notice to Pay following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice.

Under the Covered Bond Guarantee, the Guaranteed Amounts will become due and payable on any earlier date on which, following the occurrence of an LLP Event of Default, an LLP Acceleration Notice is served in accordance with Condition 9.2 (*LLP Events of Default*). Following service of an LLP Acceleration Notice, the Covered Bonds will (if an Issuer Acceleration Notice has not already been served) become immediately due and payable as against the Issuer and the obligations of the LLP under the Covered Bond Guarantee will be accelerated.

All payments of Guaranteed Amounts by or on behalf of the LLP will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature, unless the withholding or deduction of such taxes, assessments or other governmental charges are required by law or regulation or administrative practice of the United Kingdom or any political subdivision thereof or any authority therein or thereof having the power to tax. If any such withholding or deduction is required, the LLP will pay the Guaranteed Amounts net of such withholding or deduction and shall account to the appropriate tax authority for the amount required to be withheld or deducted. The LLP will not be obliged to pay any 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 has agreed that its obligations under the Covered Bond Guarantee shall be as principal debtor and not merely as surety and shall be absolute and unconditional (subject to Notice to Pay being given), 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 Receipts 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, Receiptholders 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 9.2(a) (*LLP Events of Default*) of the Terms and Conditions, failure by the LLP to pay the Guaranteed Amounts which are Due for Payment on the relevant Guaranteed Amounts Due Date 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 GIC 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 GIC Account. Any Excess Proceeds received by the Bond Trustee shall discharge *pro tanto* the obligations of the Issuer in respect of the Covered Bonds, Receipts and Coupons. However, the obligations of the LLP under the Covered Bond Guarantee are (following service of a Notice to Pay) unconditional and irrevocable and the receipt by the Bond Trustee of any Excess Proceeds shall not reduce or discharge any of such obligations.

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

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 gross proceeds of the issue of the related Covered Bonds (or the Sterling Equivalent thereof) to the LLP by way of a Term Advance pursuant to the Intercompany Loan Agreement. Each Term Advance will be made in either Sterling or in the Specified Currency of the relevant Series or Tranche, as applicable, of the Covered Bonds, as set out in the applicable Final Terms Document. For the avoidance of doubt, if the Covered Bond Swap in relation to the relevant Series or Tranche is a Forward Starting Covered Bond Swap, the Term Advance will be made in Sterling. Each Term Advance which is made in a currency other than Sterling will be exchanged by the LLP into Sterling pursuant to the relevant Non-Forward Starting Covered Bond Swap Agreement. The Sterling Equivalent of each Term Advance will be used by the LLP:

- (a) as consideration (in whole or 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 the Loans and Related Security*";
- (b) subject to compliance with the Asset Coverage Test, to make a Capital Distribution to a Member;
- (c) to invest in Substitution Assets in an amount not exceeding the prescribed limit;
- (d) if an existing Series, or part of an existing Series, of Covered Bonds is being refinanced by such issue of Covered Bonds, to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced; and/or
- (e) to make a deposit in the GIC Account.

In relation to paragraphs (b), (d) and (e) above, the LLP must first use the proceeds of any Term Advance (if not denominated in Sterling, upon exchange into Sterling under the applicable Covered Bond Swap) 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 and/or Substitution Assets (in an amount up to but not exceeding the limit set out in the LLP Deed) to the extent required to ensure that the Asset Pool is sufficient to satisfy the Asset Coverage Test. However, the proceeds may be applied in accordance with paragraph (e) above at any time pending application in accordance with paragraphs (a) to (d) above.

Each Term Advance which is made in the Specified Currency of the relevant Series or Tranche of Covered Bonds 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. Each Term Advance which is made in Sterling will bear

interest at a rate of interest equal to LIBOR for one month Sterling deposits plus a margin or such other rate or for such other interest period as may be agreed by the parties to the Intercompany Loan Agreement.

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 Priority of Payments. Prior to service of an Asset Coverage Test Breach Notice (which has not been revoked) or a Notice to Pay on the LLP, amounts due in respect of each Term Advance will be paid by the LLP to, or as directed by, the Issuer on each Interest Payment Date, subject to paying all higher ranking amounts in the Pre-Acceleration Revenue Priority of Payments or, as applicable, the Pre-Acceleration Principal Priority of Payments. The Issuer may (but is not required to) use the proceeds of the Term Advances to pay amounts due on the Covered Bonds; any failure by the LLP to pay any amounts due on the Term Advances, however, will not affect the liability of the Issuer to pay the relevant amount due on the Covered Bonds. For so long as an Asset Coverage Test Breach Notice is outstanding and has not been revoked, the LLP may not borrow any new Term Advances from the Issuer under the Intercompany Loan Agreement.

The amounts owed by the LLP to the Issuer under the Term Advances will be reduced by (i) any amounts paid by the LLP under the terms of the Covered Bond Guarantee and (ii) the Principal Amount Outstanding of any Covered Bonds (the proceeds of which were originally applied to make such Term Advances) purchased by the LLP and cancelled in accordance with Condition 6.11 (*Cancellation*). If a Term Advance is denominated in Sterling but the related Covered Bonds are denominated in another currency, the amount of the reduction shall be the Sterling Equivalent of the amount paid by the LLP under the Covered Bond Guarantee or the Sterling Equivalent of the Principal Amount Outstanding of Covered Bonds so purchased and cancelled, as applicable.

The Intercompany Loan Agreement is governed by English law.

## **Mortgage Sale Agreement**

### ***The Seller***

Loans and their Related Security have been and will be sold to the LLP from time to time pursuant to the terms of the Mortgage Sale Agreement between Santander UK (in its capacity as Seller), the LLP and the Security Trustee.

### ***Sale by the Seller of the Loans and Related Security***

The Portfolio will consist of the 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 the Portfolio will vary over time **provided that** the Eligibility Criteria (as described below) in respect of such Loans are met on the relevant Assignment Date. Accordingly, the Portfolio may, at any time, include Loans with different characteristics from Loans that were included in the Portfolio or being offered to Borrowers on previous Assignment Dates.

Prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice or an LLP Event of Default and service of an LLP Acceleration Notice, the LLP will acquire the Loans and their Related Security from the Seller in certain circumstances, including the three circumstances described below.

- (a) *First*, in relation to the issue of Covered Bonds from time to time in accordance with the Programme, the Issuer will make Term Advances to the LLP, the proceeds of which may be applied in whole or in part by the LLP to acquire Loans and their Related Security from the Seller.
- (b) *Second*, the LLP will, in certain circumstances, use the Available Principal Receipts to acquire New Loans and their Related Security from the Seller and/or Substitution Assets (in respect of acquisitions of Substitution Assets, up to the prescribed limit) on each LLP Payment Date.
- (c) *Third*, the LLP and the Seller are required to ensure that the Portfolio is maintained at all times in compliance with the Asset Coverage Test (as determined by the Cash Manager on each Calculation Date). If, on any Calculation Date, there is a breach of the Asset Coverage Test, the Seller will use all reasonable endeavours to offer to sell sufficient New Loans and their Related Security to the

LLP on or before the next Calculation Date to ensure compliance with the Asset Coverage Test as at the next Calculation Date.

If an Issuer Event of Default has occurred but no liquidator or administrator has been appointed to the Seller, Loans and their Related Security may only be acquired from the Seller if the Seller has provided a solvency certificate to the LLP and the Security Trustee.

In exchange for the sale of the Loans and their Related Security to the LLP, the Seller will receive an amount equal to the Outstanding Principal Balance of those Loans sold by it as at the Assignment Date, which will be satisfied by a combination of:

- (i) a cash payment to be made by the LLP from the Sterling Equivalent of the proceeds of the relevant Term Advance and/or from Available Principal Receipts;
- (ii) the Seller being treated as having made a Capital Contribution in Kind in an amount up to the difference between the aggregate Outstanding Principal Balance of the Loans sold by the Seller as at the relevant Assignment Date and the cash payment (if any) made by the LLP in accordance with paragraph (i) above; and/or
- (iii) Deferred Consideration (including any Postponed Deferred Consideration), which shall be paid by the LLP on the LLP Payment Dates (**provided that** there are available funds and after the making of any provisions in accordance with normal accounting practice) in accordance with the applicable Priority of Payments.

If Selected Loans and their Related Security are sold by or on behalf of the LLP as described below under "*LLP Deed – Sale of Selected Loans and their Related Security following service of an Asset Coverage Test Breach Notice*", "*LLP Deed – Sale of Selected Loans and their Related Security following service of a Notice to Pay*" and "*LLP Deed – Sale of Selected Loans and their Related Security if the Pre-Maturity Test is failed*," 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 Assignment Date. These are as follows:

- (a) there shall have been neither an Issuer Event of Default and service of an Issuer Acceleration Notice nor an LLP Event of Default and service of an LLP Acceleration Notice as at the relevant Assignment Date;
- (b) the LLP, acting on the advice of the Cash Manager, is not aware, and could not reasonably be expected to be aware, that the proposed purchase by the LLP of the Loans and their Related Security on the relevant Assignment Date would adversely affect the then current ratings by the Rating Agencies of the Covered Bonds;
- (c) the yield on the Loans in the Portfolio together with the yield on the Loans to be assigned to the LLP on the relevant Assignment Date is not less than the weighted average of the Relevant SONIA Rate under the Interest Rate Swaps as at the immediately preceding Swap Calculation Date plus 0.65 per cent., taking into account the average yield on the Loans which are Variable Rate Loans, Tracker Loans, and Fixed Rate Loans and the margins on the Swaps as at the relevant Assignment Date;
- (d) no Loan that is proposed to be sold to the LLP on the relevant Assignment Date has an Outstanding Principal Balance of more than £1,000,000;
- (e) if the Loans that are proposed to be sold to the LLP on the relevant Assignment Date include New Loan Types, the LLP has received written confirmation from each of the Rating Agencies that if such New Loan Types were sold to the LLP, such sale of the New Loan Types to the LLP would

not have an adverse effect on the then current ratings by the Rating Agencies of the Covered Bonds; and

- (f) no Loan that is proposed to be sold to the LLP on the relevant Assignment Date relates to a Property which is not a residential Property.

"**Relevant SONIA Rate**" means, in respect of an Interest Rate Swap and a Swap Calculation Date, 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), calculated by the Principal Paying Agent in respect of the Swap Calculation Period ending immediately after such Swap Calculation Date by reference to the index administered by the administrator of the Sterling Overnight Index Average (**SONIA**) reference rate that is published or displayed by such administrator or other information service from time to time at the relevant time on the Swap Calculation Date, provided that if such index has not yet been published by such administrator, in accordance with the formula set forth below, and the resulting percentage will be rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards:

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

where:

"**d**" means the number of calendar days in the relevant Swap Reference Period;

"**d<sub>o</sub>**" means, for the relevant Swap Calculation Period, the number of London Business Days in the relevant Swap Reference Period;

"**i**" means a series of whole numbers from 1 to **d<sub>o</sub>**, each representing the relevant London Business Day in chronological order from (and including) the first London Business Day in the relevant Swap Reference Period;

"**London Business Day**" or "**LBD**" means any day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

"**n<sub>i</sub>**", for any London Business Day "**i**", means the number of calendar days from (and including) such day "**i**" up to (but excluding) the following London Business Day;

"**p**" means, for the relevant Swap Calculation Period, five London Business Days or such other period as otherwise agreed between the LLP and the Interest Rate Swap Provider;

"**SONIA reference rate**" means, in respect of any London Business Day, a reference rate equal to the daily 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);

"**SONIA<sub>i</sub>**" means, in respect of any London Business Day "**i**" falling in the relevant Swap Reference Period, the SONIA reference rate for such day or, if in respect of any London Business Day in the relevant Swap Reference 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 Document) determines that the SONIA reference rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA reference rate shall be: (i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant London Business Day; plus (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five London Business 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;

**"Swap Calculation Date"** means, in respect of a Swap Calculation Period, "*p*" London Business Days prior to the Swap Payment Date in respect of such Swap Calculation Period;

**"Swap Calculation Period"** means each Floating Rate Payer Calculation Period (as defined in the Interest Rate Swap);

**"Swap Payment Date"** means each Floating Rate Payer Payment Date (as defined in the Interest Rate Swap);

**"Swap Reference Period"** means, in respect of a Swap Calculation Period, the period from (and including) the date falling *p* London Business Days prior to the first day of such Swap Calculation Period and to (but excluding) the date falling *p* London Business Days prior to the Swap Payment Date for such Swap Calculation 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).

On the relevant Assignment 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 Seller accepts an application from, or makes an offer (which is accepted) to, a Borrower for a Product Switch or Further Advance which constitutes an unconditional obligation on the part of the Seller to make such Product Switch or a Further Advance, then the Seller may (at its sole discretion) offer to repurchase the relevant Loan and the Related Security to which the Product Switch or Further Advance relates. Santander UK (in its capacity as Servicer) may not agree to a Product Switch or to make a Further Advance to a Borrower if to do so would cause the LLP to be in contravention of the FSMA, although the Seller may agree to such Product Switch or Further Advance if it repurchases the Loan that is subject to such Product Switch or Further Advance and if by so doing the LLP would not thereby be in contravention of the FSMA.

#### ***Transfer of Title to the Loans to the LLP***

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

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

- (a) service of a Notice to Pay (unless the Seller has notified the LLP that it will accept the offer set out in the Selected Loan Offer Notice within the prescribed time) or an LLP Acceleration Notice;
- (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, by an order of a court of competent jurisdiction, or by a regulatory authority to which the Seller is subject or any organisation whose members comprise, but are not necessarily limited to, mortgage lenders with whose instructions it is customary for the Seller to comply, to perfect legal title to the Loans and their Related Security;



- (d) it being rendered necessary by law to take such actions;
- (e) the Security under the Deed of Charge or any material part of that Security being in jeopardy and the Security Trustee certifying that, in its reasonable opinion, such action is necessary in order to materially reduce such jeopardy;
- (f) unless otherwise agreed in writing by the Security Trustee (with S&P and Fitch having confirmed it would not adversely affect the then current ratings of the Covered Bonds), the termination of the Seller's role as Servicer under the Servicing Agreement unless the substitute servicer, if any, is a member of the Enlarged Santander UK Group;
- (g) the Seller calling for legal assignment or assignation (as appropriate) by giving notice in writing to the LLP and the Security Trustee;
- (h) the date on which the Seller ceases to be assigned a long-term, unsecured, unsubordinated unguaranteed debt obligation rating by Moody's of at least Baa3 or by S&P of at least BBB- or by Fitch of at least BBB-; and
- (i) the occurrence of an Insolvency Event in relation to the Seller.

Please also see "*Risk Factors – Ratings Modification Event*".

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

The Title Deeds (if any) and Customer 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, save for Title Deeds (if any) held at the Land Registry or the Registers of Scotland or the Land Registry of Northern Ireland or the Registry of Deeds. The Seller or the Servicer, as the case may be, will undertake that all the Customer Files and, save in relation to Dematerialised Loans, Title Deeds 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 of 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 consent will only be given if the Security Trustee is satisfied, acting reasonably, that there will be no adverse effect on the then current ratings of the Covered Bonds as a result thereof), amend or waive the Representations and Warranties in the Mortgage Sale Agreement. The material Representations and Warranties are as follows and are given on the relevant Assignment Date in respect of the Loans and Related Security to be sold to the LLP only on that date:

- each Loan was originated by the Seller in Sterling and is denominated in Sterling (or was originated in Sterling or euro and is denominated in euro if the euro has been adopted as the lawful currency of the United Kingdom);
- no Loan has an Outstanding Principal Balance of more than £1,000,000;
- prior to the making of each advance under a Loan, the Lending Criteria and all preconditions to the making of that Loan were satisfied in all material respects subject only to exceptions as would be acceptable to a Reasonable, Prudent Mortgage Lender;
- other than with respect to Monthly Payments, no Borrower is, or has been since the date of the relevant Loan, in material breach of any obligation owed in respect of the relevant Loan or under the Related Security and accordingly no steps have been taken by the Seller to enforce any Related Security;

- the total amount of Arrears of Interest or arrears of principal, together with any fees, commissions and premiums payable at the same time as such interest payment or principal repayment, on any Loan is not, on the relevant Assignment Date in respect of such Loan, three or more times the Monthly Payment payable in respect of such Loan in respect of the month in which that Assignment Date falls;
- each Borrower is an individual and was aged 18 years or older at the date he or she executed the relevant Mortgage and is resident in the U.K. and at present no Borrower is an employee or officer of the Seller;
- each Borrower has made at least one Monthly Payment;
- the whole of the Outstanding Principal Balance on each Loan and any Arrears of Interest and all Accrued Interest is secured by a Mortgage;
- each Mortgage constitutes a valid and subsisting first charge by way of legal mortgage (in relation to the English Loans) or first ranking legal charge or first ranking legal mortgage (in relation to the Northern Irish Loans) or first ranking standard security (in relation to the Scottish Loans) over the relevant Property, except in the case of some Flexible Loans in respect of which a Mortgage may constitute valid and subsisting first and second charges by way of legal mortgage (in relation to the English Loans) or first and second ranking legal charges or first and second ranking legal mortgages (in relation to the Northern Irish Loans) or first and second ranking standard securities (in relation to the Scottish Loans) over the relevant Property, and subject only in certain appropriate cases to requisite applications for registrations at the Land Registry, the Land Registry of Northern Ireland or the Registers of Scotland having been made and which are pending and, in relation to such cases, the Seller is not aware of any caution, notice, inhibition or any other matter that would prevent such registration or recording;
- each Loan and its Related Security is valid and binding and enforceable in accordance with its terms, save in relation to any term of any Loan or its Related Security, in each case which is not binding by virtue of the Unfair Terms in Consumer Contracts Regulations 1994 or (as the case may be) the Unfair Terms in Consumer Contracts Regulations 1999 and to, the best of the Seller's knowledge, none of the terms of any Loan or its Related Security is not binding by virtue of its being unfair pursuant to the Unfair Terms in Consumer Contracts Regulations 1994 or (as the case may be) the Unfair Terms in Consumer Contracts Regulations 1999;
- all of the Properties are residential properties situated in England, Wales, Northern Ireland or Scotland;
- not more than six months (or such longer period as would be acceptable to a Reasonable, Prudent Mortgage Lender) prior to the grant of each Mortgage (excluding any Mortgage granted in relation to a Flexible Loan as a result of such Loan being the subject matter of a Product Switch to that Flexible Loan), the Seller received a Valuation Report on the relevant Property (or such other 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;
- the benefit of all Valuation Reports, any other valuation report referred to above (if any) and Certificates of Title can be validly assigned to the LLP without obtaining the consent of the relevant valuer, solicitor or licensed or qualified conveyancer;
- prior to the taking of each Mortgage (excluding any Mortgage granted in relation to a Flexible Loan as a result of that Loan being the subject matter of a Product Switch to that Flexible Loan), the Seller instructed its solicitor or licensed or qualified conveyancer (A) to carry out an investigation of title to the relevant Property and to undertake such other searches, investigations, enquiries and other actions on behalf of the Seller as are set out in the General Instructions to Solicitors or the CML's Lenders' Handbook contained in the Standard Documentation (or other comparable or successor instructions and/or guidelines as may for the time being be in place), subject only to those variations as would be acceptable to a Reasonable, Prudent Mortgage Lender or (B) in the case of a re-mortgage, to carry out a more limited form of investigation of title for the relevant Property (including, in the case of Registered Land or any land in Scotland, confirming

that the Borrower is the registered proprietor of the Property and that the description of the Property corresponds with the entries on the relevant register at the Land Registry, the Land Registry of Northern Ireland or the Registers of Scotland, as applicable), and confirming such other matters as are required by a Reasonable, Prudent Mortgage Lender;

- insurance cover for each Property is or will at all relevant times be available under either a policy arranged by the Borrower in accordance with the relevant Mortgage Conditions or in accordance with the Alternative Insurance Requirements, a Santander UK plc Policy or a policy introduced to the Borrower by the Seller or a policy arranged by the relevant landlord;
- the Seller has good title to, and is the absolute unencumbered legal and beneficial owner of, all property, interests, rights and benefits agreed to be sold by it to the LLP under the Mortgage Sale Agreement;
- the Seller has, since the making of each Loan, kept or procured the keeping of full and proper accounts, books and records showing clearly all transactions, payments, receipts, proceedings and notices relating to such Loan;
- there are no authorisations, approvals, licences or consents required for the Seller to enter into or to perform the obligations under the Mortgage Sale Agreement or to make the Mortgage Sale Agreement legal, valid, binding, enforceable and admissible in evidence;
- each Loan and its Related Security comprises "eligible property" for the purposes of Regulation 2 of the RCB Regulations;
- the Seller is under no obligation to make further amounts available or to release retentions or to pay fees or other sums relating to any Loan or its Related Security to any Borrower (other than Flexible Loan Drawings, Delayed Cashbacks and/or Reward Cashbacks); and
- the Seller has good title to, and is the absolute unencumbered legal and beneficial owner of, all property, interests, rights and benefits agreed to be sold by the Seller to the LLP pursuant to the Mortgage Sale Agreement free and clear of all mortgages, standard securities, securities, charges, liens, encumbrances, claims and equities (including, without limitation, rights of set-off or counterclaim and unregistered interests which override first registration and a registered disposition within the meaning of Schedules 1 and 3 to the Land Registration Act 2002, and any unregistered interests in the case of property, interests, rights and benefits governed by Scots law and burdens within the meaning of section 38 of the Land Registration Act (Northern Ireland) 1970) and the Seller is not in breach of any covenant or obligation implied by reason of its selling the Portfolio with full title guarantee or absolute warrandice or as beneficial owner (or which would be implied if the transfers of the Loans and their Related Security were completed using the applicable forms set out in the Mortgage Sale Agreement).

The Seller will make the Representations and Warranties (subject to appropriate adjustments) in relation to each Loan which is subject to a Product Switch or Further Advance that remains in the Portfolio on the Calculation Date immediately following the making by the Seller of the relevant Product Switch or Further Advance.

If New Loan Types are proposed to be sold to the LLP, then the Representations and Warranties in the Mortgage Sale Agreement may be modified as required, with the prior consent of the Security Trustee, 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 Loan Repurchase Notice from the LLP identifying a Loan or its Related Security in the Portfolio which did not, as at the relevant Assignment Date, 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 Loan secured or intended to be secured by that Related Security or any part of it. The repurchase price payable upon the repurchase of any such Loan is an amount (not less than zero) equal to the Outstanding Principal Balance thereof and all Arrears of Interest and Accrued Interest relating thereto plus any amounts deducted from the amounts outstanding under such

Loan in accordance with the Mortgage Sale Agreement as at the relevant repurchase date. The repurchase proceeds received by the LLP will be applied (other than Accrued Interest and Arrears of Interest) in accordance with the Pre-Acceleration Principal Priority of Payments (see "*Cashflows*").

#### ***General ability to repurchase***

Prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice or an LLP Event of Default and service of an LLP Acceleration Notice, the Seller may from time to time offer to repurchase a Loan and its Related Security from the LLP for a purchase price of not less than the aggregate Outstanding Principal Balance of the relevant Loan and all Arrears of Interest and Accrued Interest relating thereto as at the date of repurchase. The LLP may accept such offer at its discretion. If an Issuer Event of Default has occurred but no liquidator or administrator has been appointed to the Seller, the Seller's right to repurchase Loans and their Related Security will be conditional upon the delivery by the Seller of a solvency certificate to the LLP and the Security Trustee.

#### ***Defaulted Loans***

Defaulted Loans will be attributed a reduced weighting in the calculation of the Asset Coverage Test and the Amortisation Test as at the relevant Calculation Date. Prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice or an LLP Event of Default and service of an LLP Acceleration Notice, 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 aggregate Outstanding Principal Balance and all Arrears of Interest and Accrued Interest relating thereto as at the date of repurchase. The LLP may accept such offer at its discretion. If an Issuer Event of Default has occurred but no liquidator or administrator has been appointed to the Seller, the Seller's right to repurchase Defaulted Loans and their Related Security will be conditional upon the delivery by the Seller of a solvency certificate to the LLP and the Security Trustee.

#### ***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 at least 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 Outstanding Principal Balance of the Selected Loans, together with all Arrears of Interest and Accrued Interest relating thereto, 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 then Outstanding Principal Balance of the Selected Loans and all Arrears of Interest and Accrued Interest relating thereto or (c) where the Selected Loan Offer Notice is given following the service of a Notice to Pay, the greater of the then Outstanding Principal Balance of the Selected Loans and all Arrears of Interest and Accrued Interest relating thereto and the Adjusted Required Redemption Amount, in each case subject to the offer being accepted by the Seller within 10 London Business Days. If an Issuer Event of Default has occurred but no liquidator or administrator has been appointed to the Seller, the Seller's right to accept the offer (and therefore its right of pre-emption) will be conditional upon the delivery by the Seller of a solvency certificate to the LLP and the Security Trustee. If the Seller rejects the LLP's offer or fails to accept it in accordance with the foregoing, the LLP will offer to sell the Selected Loans and their Related Security to other Purchasers (as described under – "*LLP Deed – Method of Sale of Selected Loans*" below).

If the Seller validly accepts the LLP's offer to sell the Selected Loans and their Related Security, the LLP will, within three London Business Days of such acceptance, serve a Selected Loan Repurchase Notice on the Seller. The Seller will sign and return a duplicate copy of the Selected Loan Repurchase Notice and will repurchase from the LLP, free from the Security created by and pursuant to the Deed of Charge, the relevant Selected Loans and their Related Security (and any other Loan secured or intended to be secured by that Related Security or any part of it) referred to in the relevant Selected Loan Repurchase Notice. Completion of the purchase of the Selected Loans and their Related Security by the Seller will take place on the LLP Payment Date next occurring after receipt of the Selected Loan Repurchase Notice or such date as the LLP may direct in the Selected Loan Repurchase Notice (**provided that**, where a Notice to Pay has been served, such date is not later than the earlier to occur of the date which is (a) 10 London Business Days after receipt

by the LLP of the returned Selected Loan Repurchase Notice and (b) the Final Maturity Date of, as applicable, the Hard Bullet Covered Bonds or the Earliest Maturing Covered Bonds).

***Product Switches, Further Advances, Flexible Loan Drawings, Delayed Cashbacks and Reward Cashbacks***

The Seller is solely responsible for funding all Further Advances, Flexible Loan Drawings, Delayed Cashbacks and Reward Cashbacks in respect of Loans sold by the Seller to the LLP, if any. The Seller will be treated as having made a Capital Contribution in Kind (or in the case of a Payment Holiday funded by the Seller, a Cash Capital Contribution) in an amount equal to the amount of the funded Further Advances, Flexible Loan Drawings or Payment Holidays, as set out in the LLP Deed.

The LLP may require the Seller to repurchase any Loan and its Related Security in the event of a material breach of any of the Representations or Warranties or if any of those Representations or Warranties proves to be materially untrue in relation to that Loan. If a Loan is subject to a Product Switch or an offer of a Further Advance, then the Seller may (at its sole discretion) offer to repurchase the Loan or Loans under the relevant Mortgage Account and the Related Security from the LLP. In either case, the sale price will be equal to the aggregate Outstanding Principal Balance of such Loans and all Arrears of Interest and Accrued Interest relating thereto as at the date of purchase.

A Loan will be subject to a "**Product Switch**" if there is a variation in the financial terms and conditions applicable to the relevant Borrower's Loan other than:

- any variation agreed with a Borrower to control or manage arrears on the Loan;
- any variation in the term of the Loan;
- any variation imposed by statute;
- any variation of the principal available and/or the rate of interest payable in respect of the Loan where that variation or rate is offered to the Borrowers under Loans which constitute 10 per cent. or more by outstanding principal amount of Loans comprised in the Portfolio in any LLP Payment Period; or
- any variation in the frequency with which the interest payable in respect of the Loan is charged.

***New Sellers***

In the future, it is expected that New Sellers (which are members of the Enlarged Santander UK Group) may accede to the Programme and sell loans and their related security to the LLP. Any such New Seller will be required to enter into a New Mortgage Sale Agreement, which will be in substantially the same form and contain substantially the same provisions as the Mortgage Sale Agreement between the Seller, the LLP and the Security Trustee. The sale of New Seller 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 Seller Loans and their Related Security to be sold by the relevant New Seller, substantially the same rights and obligations as the Seller had in relation to those Loans and their Related Security comprised in the Initial Portfolio under the LLP Deed;
- each New Seller 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 Seller Loans and their Related Security to be sold by the relevant New Seller, substantially the same rights and obligations as the Seller had in relation to those Loans and their Related Security comprised in the Initial Portfolio under the Mortgage Sale Agreement;
- each New Seller accedes to such Transaction Documents and enters into such other documents as may be required by the Security Trustee, the Bond Trustee, the LLP and/or the Cash Manager (in each case acting reasonably) to give effect to the addition of a New Seller to the transactions contemplated under the Programme;

- any New Seller Loans and their Related Security sold by a New Seller to the LLP comply with the Eligibility Criteria set out in the New Mortgage Sale Agreement;
- either the Servicer services the New Seller 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 Seller Loans and their Related Security and which is on terms substantially similar to the terms set out in the Servicing Agreement (**provided that** the fees payable to the Servicer or the New Seller (or its nominee) acting as servicer of such New Seller Loans and their Related Security would be determined on or around the date of the accession of the New Seller to the Programme);
- the Security Trustee is satisfied that any modifications to the Transaction Documents in order to accommodate the accession of a New Seller to the Programme will not be materially prejudicial to the interests of any of the Covered Bondholders and, except for any Covered Bond Swap Provider or the Interest Rate Swap Provider who is a member of the Enlarged Santander UK Group, the Covered Bond Swap Providers and the Interest Rate Swap Provider; and
- the Security Trustee has received a Rating Agency Confirmation in relation to the accession of the New Seller.

If the above conditions are met, the consent of Covered Bondholders will not be required in relation to the accession of a New Seller to the Programme.

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

### **Servicing Agreement**

Pursuant to the terms of the Servicing Agreement entered into between the Seller, the LLP, the Servicer and the Security Trustee, the Servicer has agreed to service the Loans and their Related Security comprised in the Portfolio on behalf of the LLP.

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

- (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 Seller'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, the Seller and the other Secured Creditors.

The Servicer will have the power to exercise the rights, powers and discretions and to perform the duties of the LLP and the Seller (according to their respective estates and interests) 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, convenient or incidental to the administration of the Loans and their Related Security.

### ***Right of delegation by the Servicer***

The Servicer may from time to time sub-contract or delegate the performance of its duties under the Servicing Agreement, **provided that** it will nevertheless remain responsible for the performance of those duties to the LLP and the Security Trustee and, in particular, will remain liable at all times for servicing the Loans and their Related Security and for the acts or omissions of any delegate or sub-contractor. Any such sub-contracting or delegation may be varied or terminated at any time by the Servicer.

### ***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:

- keep records and books of account on behalf of the LLP in relation to the Loans and their Related Security;
- keep the Customer Files and, save in relation to Dematerialised Loans, Title Deeds in its possession 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 (if any), the Customer Files and other records relating to the administration of the Loans and their Related Security in its possession;
- keep and maintain records in respect of the Portfolio for the purposes of identifying amounts paid by each Borrower, any amount due from a Borrower and the Outstanding Principal Balance of each Loan and such other records as would be kept by a Reasonable, Prudent Mortgage Lender;
- provide to the LLP, the Security Trustee and the Rating Agencies a report on a monthly basis containing information about the Loans and their Related Security comprised in the Portfolio, and a report on a quarterly basis, in a form agreed with the LLP, the Security Trustee and the Rating Agencies, containing certain information about the individual Loans in the Portfolio;
- provide to each beneficial owner of any Covered Bonds issued under the Programme a monthly report in the same form as that provided above to the LLP, the Security Trustee and the Rating Agencies;
- assist the Cash Manager in the preparation of a Monthly Asset Coverage Report in accordance with the Cash Management Agreement;
- provide to the FCA 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;
- take all reasonable steps to recover all sums due to the LLP, including instituting proceedings and enforcing any relevant Loan or its Related Security using the discretion of a Reasonable, Prudent Mortgage Lender in applying the enforcement procedures forming part of the Seller's policy; 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 procedures that would be undertaken by a Reasonable, Prudent Mortgage Lender on behalf of the LLP.

The Servicer will undertake not to agree to a Product Switch or to make a Further Advance to a Borrower if to do so would cause the LLP to be in contravention of the FSMA. However, the Seller may agree to such Product Switch or Further Advance if it repurchases the Loan that is subject to such Product Switch or Further Advance and if by so doing the LLP would not thereby be in contravention of the FSMA.

The Servicer also undertakes that, on the Servicer ceasing to be assigned a long-term, unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa3 or by S&P of at least BBB- or by Fitch of at least BBB-, it will use reasonable endeavours to enter into a new or a master servicing agreement (in such form as the LLP and the Security Trustee shall reasonably require) with a third party within 60 days under which such third party will undertake the servicing obligations in relation to the Portfolio.

### ***Setting of LLP Standard Variable Rate and variable rates in relation to Tracker Loans***

In addition to the undertakings described above, the Servicer has also undertaken in the Servicing Agreement to determine and set the LLP Standard Variable Rate in relation to Variable Rate Loans in the Portfolio, any variable margins in respect of Tracker Loans in the Portfolio and any other applicable discretionary rates or margins in relation to other Variable Rate Loans in the Portfolio, except in the limited

circumstances described below when the LLP will be entitled to do so. The Servicer will not (except in limited circumstances) at any time set or maintain:

- (a) the LLP Standard Variable Rate applicable to the Variable Rate Loans in the Portfolio at a rate which is higher than the then prevailing Abbey Standard Variable Rate which applies to Loans beneficially owned by the Seller outside the Portfolio;
- (b) any variable margin in respect of a Tracker Loan in the Portfolio, where the Offer Conditions for that Tracker Loan 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, at a margin which is higher than the margin which applies to Loans carrying the same Offer Conditions relating to interest rate setting beneficially owned by the Seller outside the Portfolio;
- (c) any variable margin in respect of any other Tracker Loan in the Portfolio at a margin which is higher than the margin which would then be set in accordance with the Seller's policy (or, if the Seller's policy is no longer dealing with the setting of such margin, in accordance with the standards of a Reasonable, Prudent Mortgage Lender) in relation to that Loan if that Loan was beneficially owned by the Seller outside the Portfolio; or
- (d) any other applicable discretionary rate or margin in relation to other Variable Rate Loans in the Portfolio, at a rate or margin higher than the equivalent rate or margin then being set by the Seller in accordance with the Seller's policy (or, if the Seller's policy is no longer dealing with the setting of such rate or margin, in accordance with the standards of a Reasonable, Prudent Mortgage Lender) in relation to Loans carrying the same Mortgage Terms relating to interest rate setting 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 Standard Variable Rate in relation to any Variable Rate Loan, any variable margins applicable in relation to any Tracker Loans and any other applicable discretionary rates or margins in relation to other Variable Rate Loans in the Portfolio which the Servicer proposes to set under the Servicing Agreement; and
- (iii) the other resources available to the LLP including payments received under the Interest Rate Swaps and, where relevant, the relevant Covered Bond Swaps,

whether the LLP will receive an amount of income during the Relevant LLP Payment Period which, when aggregated with the other 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 Agreement or, if a Notice to Pay has been served, the Covered Bond Guarantee on the LLP Payment Date falling at the end of the Relevant LLP Payment Period and amounts payable (or provisioned to be paid) to the Covered Bond Swap Providers under the Covered Bond Swap Agreements on the LLP Payment Date falling at the end of the Relevant LLP Payment Period and (B) the other 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 (the "**Interest Rate Shortfall Test**").

If the Servicer determines that the Interest Rate Shortfall Test will not be met, it will give written notice to the LLP and the Security Trustee, within one London Business Day, of the amount of the shortfall and the LLP Standard Variable Rate, any variable margins applicable in relation to Tracker Loans and any other applicable discretionary rates or margins in relation to other Variable Rate Loans in the Portfolio which would, in the Servicer's opinion, need to be set in order for no shortfall to arise and the Interest Rate Shortfall Test to be met, having regard to the date(s) (which shall be specified in the notice) on which such change to the LLP Standard Variable Rate, any variable margins applicable to any Tracker Loans in the Portfolio and any other applicable discretionary rates or margins in relation to other Variable Rate Loans in the Portfolio would take effect and at all times acting in accordance with the standards of a Reasonable, Prudent Mortgage Lender.

If the LLP or the Security Trustee notifies the Servicer that, having regard to the obligations of the LLP, the LLP Standard Variable Rate, any variable margins in relation to the Tracker Loans in the Portfolio



and/or any other applicable discretionary rates or margins in relation to other Variable Rate Loans in the Portfolio should be increased, the Servicer will take all steps which are necessary, including publishing any notice which is required in accordance with the relevant Mortgage Terms, to effect such change in the LLP Standard Variable Rate and/or any variable margins applicable in relation to Tracker Loans in the Portfolio and/or any other applicable discretionary rates or margins in relation to other Variable Rate Loans in the Portfolio on the date(s) specified in the notice to the LLP and the Security Trustee.

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

- (a) the LLP Standard Variable Rate in relation to any Variable Rate Loan, any variable margins applicable in relation to any Tracker Loans and any other applicable discretionary rates or margins in relation to any other Variable Rate Loans which the Servicer proposes to set under the Servicing Agreement for the relevant LLP Payment Period; and
- (b) the other resources available to the LLP under the Interest Rate Swaps,

whether the LLP would receive an aggregate amount of interest on the Loans in the Portfolio and amounts under the Interest Rate Swaps during the Relevant LLP Payment Period which would give an annual yield on the Loans in the Portfolio of at least the SONIA Spot Rate published on the final London Business Day in the previous Calculation Period plus 0.15 per cent. (the "**Yield Shortfall Test**").

If the Servicer determines that the Yield Shortfall Test will not be met, it will give written notice to the LLP and the Security Trustee, within one London Business Day, of the amount of the shortfall and the LLP Standard Variable Rate, any variable margins applicable in relation to Tracker Loans and any other applicable discretionary rates or margins in relation to any other Variable Rate Loans 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) (which shall be specified in the notice) on which such change to the LLP Standard Variable Rate, any variable margins applicable to any Tracker Loans in the Portfolio and any other applicable discretionary rates or margins in relation to other Variable Rate Loans in the Portfolio would take effect and at all times acting in accordance with the standards of a Reasonable, Prudent Mortgage Lender.

If the LLP or the Security Trustee notifies the Servicer that, having regard to the obligations of the LLP, the LLP Standard Variable Rate, any variable margins applicable in relation to Tracker Loans in the Portfolio and/or any other applicable discretionary rates or margins in relation to other Variable Rate Loans in the Portfolio should be increased, the Servicer will take all steps which are necessary, including publishing any notice which is required in accordance with the relevant Mortgage Terms, to effect such change in the LLP Standard Variable Rate, any variable margins applicable in relation to Tracker Loans in the Portfolio and/or any other applicable discretionary rates or margins in relation to other Variable Rate Loans in the Portfolio on the date(s) specified in the notice to the LLP and the Security Trustee.

The LLP and the Security Trustee may terminate the authority of the Servicer to determine and set the LLP Standard Variable Rate, any variable margins in relation to any Tracker Loans in the Portfolio and any other applicable discretionary rates or margins in relation to other Variable Rate Loans in the Portfolio on or after the occurrence of a Servicer Event of Default as defined under "*Removal or resignation of the Servicer*" below, in which case the LLP will set the LLP Standard Variable Rate, any variable margins in relation to any Tracker Loans in the Portfolio and any other applicable discretionary rates or margins in relation to other Variable Rate Loans in the Portfolio, save that the Seller shall be entitled to make representations to the LLP with respect to any changes in any variable margins in relation to Tracker Loans.

At any time prior to the transfer of legal title to the Portfolio (or any part thereof) in accordance with the terms of the Mortgage Sale Agreement, the LLP may serve written notice on the Servicer instructing the Servicer to set the LLP Standard Variable Rate but only with effect from the date on which such transfer of legal title is effected (including publishing any notice which is required in accordance with the Mortgage Conditions to effect such change in the LLP Standard Variable Rate), to a rate equal to the SONIA Spot Rate determined as at the Interest Payment Date immediately preceding such transfer of legal title plus the Post-Perfection SVR-SONIA Margin and thereafter the Servicer shall set the LLP Standard Variable Rate on a quarterly basis as at each Interest Payment Date (including publishing any notice which is required in accordance with the Mortgage Conditions to effect such change in the LLP Standard Variable Rate) at a

rate equal to the SONIA Spot Rate determined as at that Interest Payment Date plus the Post-Perfection SVR-SONIA Margin.

For these purposes, "**Post-Perfection SVR-SONIA Margin**" is the amount as specified in the relevant Final Terms Document.

### ***Remuneration***

The LLP shall pay to the Servicer an administration fee (inclusive of VAT) for its services. Such administration fee shall be calculated in relation to each Calculation Period and shall be payable to the Servicer in arrear on each LLP Payment Date.

### ***Removal or resignation of the Servicer***

The LLP and the Security Trustee may, upon written notice to the Servicer, terminate the Servicer's appointment under the Servicing Agreement if any of the following events (each a "**Servicer Termination Event**") and, each of the first three events set out below, a "**Servicer Event of Default**") occurs and while such event continues:

- the Servicer defaults in the payment on the due date of any amount due and payable by it under the Servicing Agreement and does not remedy that default for a period of three London Business Days after the earlier of the Servicer becoming aware of the default or receipt by the Servicer of written notice from the Security Trustee or the LLP requiring the default to be remedied;
- the Servicer defaults in the performance or observation of any of its other covenants and obligations under the Servicing Agreement, which default in the reasonable opinion of the Security Trustee is materially prejudicial to the interests of the Covered Bondholders, and does not remedy that default within 20 London Business Days after the earlier of the Servicer becoming aware of the default or receipt by the Servicer of written notice from the LLP and the Security Trustee requiring the default to be remedied, **provided however that**, where the relevant default occurs as a result of a default by any person to whom the Servicer has sub-contracted or delegated part of its obligations under the Servicing Agreement, such default shall not constitute a Servicer Termination Event if, within such period of 20 London Business Days of receipt of such notice from the LLP and the Security Trustee, the Servicer terminates the relevant sub-contracting or delegation arrangements and takes such steps as the LLP and the Security Trustee may specify to remedy such default or to indemnify the LLP against the consequences of such default;
- an Insolvency Event occurs in relation to the Servicer;
- neither the Servicer nor a member of the Enlarged Santander UK Group is servicing the Portfolio pursuant to the Servicing Agreement; or
- an Insolvency Event occurs in relation to any person to whom the Servicer has sub-contracted or delegated part of its obligations and the Servicer has not subsequently terminated such subcontracting or delegation.

Subject to the fulfilment of a number of conditions, the Servicer may voluntarily resign by giving not less than 12 months' written notice to the Security Trustee and the LLP, **provided that** a substitute servicer qualified to act as such under the FSMA and the CCA and with a management team with experience of administering residential 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. 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.

If the appointment of the Servicer is terminated, the Servicer must deliver the Title Deeds and Customer Files relating to the Loans comprised in the Portfolio in its possession 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 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.

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

## Asset Monitor Agreement

Under the terms of the Asset Monitor Agreement entered into between the Asset Monitor, the LLP, the Cash Manager, the Security Trustee and the Bond Trustee, the Asset Monitor has agreed, subject to due receipt of the information to be provided by the Cash Manager to the Asset Monitor, to conduct tests in respect of the arithmetical accuracy of the calculations performed by the Cash Manager, prior to service of a Notice to Pay or an LLP Acceleration Notice, on the APMR Calculation Date preceding each Annual Submission Date with a view to providing confirmation of compliance by the LLP with the Asset Coverage Test. If and for so long as the long-term ratings of the Cash Manager or the Issuer are below BBB-/Baa3/BBB- (by S&P, Moody's or Fitch, respectively) or following the service of an Asset Coverage Test Breach Notice (which has not been revoked), the Asset Monitor will, subject to receipt of the relevant information from the Cash Manager, be required to conduct such tests following each Calculation Date. Following service of a Notice to Pay (but prior to service of an LLP Acceleration Notice), the Asset Monitor will also be required to test the arithmetical accuracy of the calculations performed by the Cash Manager in respect of the Amortisation Test. For these purposes, the APMR Calculation Date is the Calculation Date determined by the Asset Monitor (in its sole discretion) as the date required for the Asset Monitor to prepare the Asset Pool Monitor Report, such that the Asset Monitor is able to complete the Asset Pool Monitor Report in reasonable time for the Annual Submission Date as notified by the Issuer to Deloitte (including to permit the Issuer to deliver the Asset Pool Monitor Report to the FCA by each Annual Submission Date).

Following a determination by the Asset Monitor of any errors in the arithmetical accuracy of the calculations performed by the Cash Manager such that the Asset Coverage Test or the Amortisation Test has been failed on the applicable Calculation Date (where the Cash Manager had recorded it as being satisfied) or the Adjusted Aggregate Loan Amount or the Amortisation Test Aggregate Loan Amount is mis-stated by an amount exceeding 1 per cent. of the Adjusted Aggregate Loan Amount or the Amortisation Test Aggregate Loan Amount, as applicable (as at the date of the relevant Asset Coverage Test or the relevant Amortisation Test), the Asset Monitor will be required to conduct such tests following each Calculation Date for a period of six months thereafter.

The Asset Monitor is entitled, except in certain limited circumstances, to assume that all information provided to it by the Cash Manager for the purpose of conducting such tests is true and correct and not misleading, and is not required to conduct a test or otherwise take steps to verify the accuracy of any such information. The Asset Pool Monitor Report will be delivered to the Cash Manager, the LLP, the Issuer, the Bond Trustee and the Security Trustee.

The Asset Monitor has been appointed as "**Asset Pool Monitor**" (as defined in the RCB Regulations) in accordance with the RCB Regulations and has undertaken, in its capacity as asset pool monitor, to comply with the RCB Regulations, the RCB Sourcebook and any guidance issued from time to time by the FCA in relation thereto, as to which see the section entitled "*Description of the U.K. Regulated Covered Bond Regime*".

The LLP will pay to the Asset Monitor a fee for each test performed by the Asset Monitor. As at the date of this Prospectus, the fee is £5,000 per test (exclusive of VAT).

The LLP may, at any time, but subject to the prior written consent of the Security Trustee, terminate the appointment of the Asset Monitor by giving at least 30 days' prior written notice to the Asset Monitor, **provided that** such termination may not be effected unless and until a replacement asset monitor has been found by the LLP (such replacement to be approved by the Security Trustee (such approval to be given if the replacement is an accountancy firm of national standing)) which agrees to perform the duties of the Asset Monitor set out in the Asset Monitor Agreement (or substantially similar duties).

The Asset Monitor may, at any time, resign by giving at least 30 days' prior written notice to the LLP and the Security Trustee, and may resign by giving immediate notice in the event of a professional conflict of interest caused by the action of any recipient of its reports.

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) which agrees to perform the duties of the Asset Monitor set out in the Asset Monitor Agreement. If a replacement is not appointed by the date which is 30 days prior to the date when tests are to be carried out in accordance with the terms of the Asset Monitor Agreement, then the LLP shall use all reasonable endeavours to appoint

an accountancy firm of national standing to carry out the relevant tests on a one-off basis, **provided that** such appointment is approved by the Security Trustee.

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

The Asset Monitor Agreement is governed by English law.

### **LLP Deed**

The Members of the LLP have agreed to operate the business of the LLP in accordance with the terms of a limited liability partnership deed entered into between the LLP, the Seller, the Liquidation Member, the Bond Trustee and the Security Trustee (as amended and/or supplemented and/or restated from time to time, the "**LLP Deed**"). A management board comprised as of the date of this Prospectus of directors and/or employees of the Seller 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, subject to certain decisions reserved to the Members in the LLP Deed.

### **Members**

As at the date of this Prospectus, each of the Seller 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. The Seller 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 or otherwise at law and in the LLP Deed. The LLP Deed requires that there will at all times be at least two Designated Members of the LLP.

For so long as Covered Bonds are outstanding, if an administrator or a liquidator is appointed to the Seller or if the Seller disposes of its interest in the Liquidation Member such that the Seller holds less than 20 per cent. of the share capital of the Liquidation Member (without the consent of the LLP and, whilst any Covered Bonds are outstanding, the Security Trustee), the Seller will automatically cease to be a Member of the LLP and the outstanding balance of the Seller's Capital Contribution to the LLP will be converted into a subordinated debt obligation (the "**Abbey Subordinated Loan**"). In these circumstances, the Liquidation Member (acting on behalf of itself and the other Members) will admit a new Member to the LLP (which is a wholly-owned subsidiary of the Liquidation Member) and will appoint such new Member as a Designated Member pursuant to the terms of the LLP Deed (in each case with the prior written consent of the Security Trustee).

Any New Seller that wishes to sell New Seller Loans and their Related Security to the LLP will, amongst other things, be required to become a Member of the LLP and accede to the LLP Deed, amongst other documents. Other than in the case of a New Seller or the replacement of the Seller as a Member in the circumstances outlined in the previous paragraph, no New Member may be appointed without the consent of the Security Trustee and the receipt by the LLP or the Security Trustee of a Rating Agency Confirmation.

### **Capital Contributions**

From time to time the Seller (in its capacity as a Member) will make Capital Contributions to the LLP. Capital Contributions may be made in cash or in kind (e.g. through a contribution of Loans to the LLP). The Capital Contributions of the Seller shall be calculated in Sterling on each Calculation Date as the difference between (a) the Outstanding Principal Balance of Loans in the Portfolio as at the last day of the preceding Calculation Period plus Principal Receipts standing to the credit of the Principal Ledger on the GIC Account plus the principal amount of Substitution Assets and Authorised Investments as at the last day of the preceding Calculation Period and (b) the Sterling Equivalent of the aggregate Principal Amount Outstanding under the Covered Bonds as at the last day of the preceding Calculation Period. The LLP Deed does not impose any limit on the amount of Capital Contributions that the Seller (in its capacity as a Member) may make to the LLP from time to time. Cash Capital Contributions will normally be credited to the Principal Ledger on the GIC Account and be applied as Available Principal Receipts. However, the Seller shall be entitled to require that the LLP credit Cash Capital Contributions to the Reserve Ledger on the GIC Account so that they may be applied as Available Revenue Receipts.

The Liquidation Member will not make any Capital Contributions to the LLP.

Capital Distributions 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 the Members (other than the Liquidation Member) must ensure that, on each Calculation Date, the Adjusted Aggregate Loan Amount is in an amount at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date.

If, on any Calculation Date, the Adjusted Aggregate Loan Amount is less than the aggregate Principal Amount Outstanding of all Covered Bonds as calculated on the relevant Calculation Date, then the LLP (or the Cash Manager on its behalf) will notify the Members, the Bond Trustee and the Security Trustee thereof and the Members (other than the Liquidation Member) will use all reasonable endeavours to sell sufficient further Loans and their Related Security to the LLP in accordance with the Mortgage Sale Agreement (see "*Mortgage Sale Agreement – Sale by the Seller of the Loans and Related Security*") or provide Cash Capital Contributions to ensure that the Asset Coverage Test is met on the next following Calculation Date. If the Adjusted Aggregate Loan Amount is less than the aggregate Principal Amount Outstanding of all Covered Bonds on the next following Calculation Date, the Asset Coverage Test will be breached and the Bond Trustee will serve an Asset Coverage Test Breach Notice on the LLP and shall send notice of the same to the FCA pursuant to the RCB Regulations. The Bond Trustee shall revoke an Asset Coverage Test Breach Notice if, on any Calculation Date falling on or prior to the third Calculation Date following the service of an Asset Coverage Test Breach Notice, the Asset Coverage Test is subsequently satisfied and neither a Notice to Pay nor an LLP Acceleration Notice has been served.

Following service of an Asset Coverage Test Breach Notice (which has not been revoked):

- (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 "*Cashflows – Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of an Asset Coverage Test Breach Notice*"; and
- (c) the Issuer will not be permitted to make to the LLP and the LLP will not be permitted to borrow from the Issuer any new Term Advances under the Intercompany Loan Agreement.

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

For the purposes hereof:

**"Adjusted Aggregate Loan Amount"** means the amount calculated on each Calculation Date as follows:

$$A + B + C + D + E - (U + V + W + X + Y + Z)$$

where

A = the lower of (a) and (b), where:

(a) = the Aggregate Adjusted Outstanding Principal Balance, and

(b) = the Aggregate Arrears Adjusted Outstanding Principal Balance multiplied by the Asset Percentage;

**"Aggregate Adjusted Outstanding Principal Balance"** shall be equal to:

- (i) the sum of the **"Adjusted Outstanding Principal Balance"** of each Loan in the Portfolio as at the relevant Calculation Date, which, in relation to each relevant Loan, shall be the lower of:
  - (1) the actual Outstanding Principal Balance of the relevant Loan as calculated on the relevant Calculation Date; and
  - (2) the Indexed Valuation relating to that Loan multiplied by M (where for all Loans that are not Defaulted Loans,  $M = 0.75$ , for all Loans that are Defaulted Loans and have an Outstanding Principal Balance to Indexed Valuation ratio of less than or equal to 75 per cent.,  $M = 0.40$  and for all Loans that are Defaulted Loans and have an Outstanding Principal Balance to Indexed Valuation ratio of more than 75 per cent.,  $M = 0.25$ ),

*minus*

- (ii) the aggregate sum of the following deemed reductions to the aggregate Adjusted Outstanding Principal 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 Outstanding Principal Balance of the Loans in the Portfolio (as calculated on the relevant Calculation Date) will be deemed to be reduced by an amount equal to the Adjusted Outstanding Principal Balance of the relevant Loan or Loans (as calculated on the relevant Calculation Date) of the relevant Borrower; and/or
  - (2) the Seller, in the preceding Calculation Period, was in breach of any other material warranty under the Mortgage Sale Agreement and/or the Servicer was, in the preceding Calculation Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate Adjusted Outstanding Principal Balance of the Loans in the Portfolio (as calculated on the relevant Calculation Date) 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 and/or the Servicer to indemnify the LLP for such financial loss);

**"Aggregate Arrears Adjusted Outstanding Principal Balance"** equals:

- (i) the sum of the **"Arrears Adjusted Outstanding Principal Balance"** of each Loan in the Portfolio as at the relevant Calculation Date, which, in relation to each relevant Loan, shall be the lower of:
  - (1) the actual Outstanding Principal Balance of the relevant Loan as calculated on the relevant Calculation Date; and
  - (2) the Indexed Valuation relating to that Loan multiplied by N (where for all Loans that are not Defaulted Loans,  $N = 1$ , for all Loans that are Defaulted Loans and have an Outstanding Principal Balance to Indexed Valuation ratio of less than or equal to 75 per cent.,  $N = 0.40$  and for all Loans that are Defaulted Loans and have an Outstanding Principal Balance to Indexed Valuation ratio of more than 75 per cent.,  $N = 0.25$ );

*minus*

- (ii) the aggregate sum of the following deemed reductions to the aggregate Arrears Adjusted Outstanding Principal 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 Outstanding Principal Balance of the Loans in the Portfolio (as calculated on the relevant Calculation Date) will be deemed to be reduced by an amount equal to the Arrears Adjusted Outstanding Principal Balance of the relevant Loan or Loans (as calculated on the relevant Calculation Date) 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 Outstanding Principal Balance of the Loans in the Portfolio (as calculated on the relevant Calculation Date) 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 and/or the Servicer to indemnify the LLP for such financial loss),
- 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 (including, for the avoidance of doubt, any amount then standing to the credit of the GIC Accounts and any Authorised Investments (but without double counting));
- 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 the LLP Deed and/or the other Transaction Documents;
- D = the aggregate principal amount of any Substitution Assets as at the relevant Calculation Date;
- E = the aggregate of (i) any amount standing to the credit of the GIC Account and credited to the Pre-Maturity Liquidity Ledger as at the relevant Calculation Date plus (ii) any amount standing to the credit of the GIC Account and credited to the Supplemental Liquidity Reserve Ledger as at the relevant Calculation Date (in each case, without double counting);
- U = an amount equal to the Supplemental Liquidity Reserve Amount;
- V = (a) 100 per cent. of the sum of the aggregate cleared credit balances in respect of Flexible Plus Loans in the Portfolio as at the relevant Calculation Date; or (b) so long as (i) the Issuer's credit ratings from S&P are at least BBB+ long-term and A-2 short-term; and (ii) the Issuer's long-term credit rating from Moody's is at least A2; and (iii) the Issuer's long-term credit rating from Fitch is at least A and the Issuer's short-term credit rating from Fitch is at least F1, the greater of (A) zero and (B) the amount by which the sum of the aggregate cleared credit balances in respect of Flexible Plus Loans in the Portfolio as at the relevant Calculation Date exceeds 5 per cent. of the Asset Pool;
- W = the Depositor Set-off Percentage of the aggregate Outstanding Principal Balance of the Loans in the Portfolio, as calculated as at the relevant Calculation Date;

- X = eight per cent. of the Flexible Draw Capacity (as defined below) *multiplied by* three;
- Y = the aggregate amount of all Reward Cashbacks which the Seller will be required to pay over the remaining life of the Reward Loans in the Portfolio; and
- Z = (a) zero for so long as the Cover Pool Swap provides for the hedging of interest received in respect of (i) any Substitution Assets and (ii) cash balances held in the GIC Account; or (b) if an alternative hedging methodology is put in place, the weighted average remaining maturity of all Covered Bonds (expressed in years) 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 a percentage calculated by reference to the weighted average margin of the Covered Bonds and will, in any event, be not less than 0.50 per cent.

"**Asset Percentage**" means the lowest of:

- (i) 91.0 per cent.;
- (ii) the percentage figure as selected by the LLP (or the Cash Manager acting on its behalf) that is necessary to ensure that all outstanding Covered Bonds maintain the then current ratings assigned to them by Fitch and S&P; and
- (iii) the percentage figure selected by the LLP (or the Cash Manager on its behalf) and notified to Moody's and the Security Trustee.

The LLP or the Cash Manager acting on its behalf may, from time to time, send notification to Moody's and the Security Trustee of the percentage figure selected by it, being the difference between 100 per cent. and the amount of credit enhancement required to ensure that the Covered Bonds achieve an Aaa rating by Moody's using Moody's expected loss methodology and taking into account the Supplemental Liquidity Reserve Amount, which shall, for the avoidance of doubt, be equal to at least 5 per cent. of the Sterling Equivalent of the Principal Amount Outstanding of the Covered Bonds as calculated on each relevant Calculation Date. This percentage figure will apply with effect from the Calculation Date immediately following the date on which notice is given to Moody's and the Security Trustee.

"**Depositor Set-off Determination Date**" means if (a) the long-term unsubordinated, unguaranteed debt rating of the Issuer is rated at least A by Fitch, BBB+ by S&P and A2 by Moody's and the short-term unsubordinated, unguaranteed debt rating of the Issuer is rated at least F1 by Fitch and A-2 by S&P, January and July in each year or (b) the long-term unsubordinated debt rating of the Issuer is rated less than A by Fitch, BBB+ by S&P or A2 by Moody's or the short-term unsubordinated, unguaranteed debt rating of the Issuer is rated less than F1 by Fitch or A-2 by S&P, each Calculation Date. **Provided that**, if the long-term unsubordinated, unguaranteed debt rating of the Issuer is again rated at least A by Fitch, BBB+ by S&P and A2 by Moody's and the short-term unsubordinated, unguaranteed debt rating of the Issuer is again rated at least F1 by Fitch and A-2 by S&P, the Depositor Set-off Determination Date, will, be determined in accordance with (a) above.

"**Depositor Set-off Percentage**" means:

- (a) zero for so long as (i) the Issuer's credit ratings from S&P are at least BBB+ long-term and A-2 short-term; and (ii) the Issuer's long-term credit rating from Moody's is at least A2; and (iii) the Issuer's credit ratings from Fitch are at least A long-term and F1 short-term; or
- (b) 4.00 per cent. (such percentage to be reviewed as set out in the definition of "Depositor Set-off Determination Date") or such other percentage as determined in accordance with, and subject to, the provisions of the LLP Deed.

The Depositor Set-off Percentage shall be determined by the LLP or the Cash Manager on its behalf on the basis of the most up-to-date information available to it for such purpose and notified to the LLP (with a copy to the Security Trustee), and notified to and agreed with, the Rating Agencies on each Depositor Set-off Determination Date, subject to the receipt by the Issuer (or on its behalf, with a copy to the Security Trustee) of a Rating Agency Confirmation or a confirmation email from a Rating Agency that the then current ratings of the Covered Bonds will not be adversely affected by or withdrawn as a result thereof (in the event that any such Rating Agency does not propose to provide a Rating Agency Confirmation) in the event that such Depositor Set-off Percentage is lowered in comparison to the Depositor Set-off



Determination Date. The Depositor Set-off Percentage so determined and agreed shall be published in the Investor Report (in the section setting out the Asset Coverage Test calculation). Any notification to the Rating Agencies pursuant to this requirement shall be made in the form set out in the LLP Deed.

**"Flexible Draw Capacity"** means the amount equal to the excess of (1) the maximum amount that Borrowers may draw under Flexible Loans included in the Portfolio (whether or not drawn) over (2) the aggregate Outstanding Principal Balance in respect of Flexible Loans in the Portfolio on the relevant Calculation Date.

**"Supplemental Liquidity Reserve Amount"** means (i) prior to the service of a Notice to Pay, an amount calculated on the basis of a method proposed by the Issuer to and accepted by the Rating Agencies in connection with the funding of the Supplemental Liquidity Reserve Ledger when required under the terms of the LLP Deed and which, as at the date hereof, is equal to five per cent. of the then Adjusted Aggregate Loan Amount as required under the Asset Coverage Test **provided that** for the purposes of calculating such Adjusted Aggregate Loan Amount the Asset Coverage Test was (A) calculated in respect of the Adjusted Aggregate Loan Amount without taking into account factor "U" and (B) not failed; and (ii) following the service of a Notice to Pay, an amount equal to the Supplemental Liquidity Reserve Amount immediately prior to the service of such Notice to Pay minus an amount equal to the aggregate current balance of Loans sold to fund or replenish the Supplemental Liquidity Reserve Ledger, **provided that**, in each case, such amount shall be equal to at least 5 per cent. of the Sterling Equivalent of the Principal Amount Outstanding of the Covered Bonds as calculated on each relevant Calculation Date.

**"Supplemental Liquidity Reserve Ledger"** means the ledger maintained by the Cash Manager on behalf of the LLP to record the credits and debits of moneys available from the proceeds of sales of Selected Loans sold with the aim to fund or replenish such Supplemental Liquidity Reserve Ledger.

#### ***Amortisation Test***

The LLP and the Members (other than the Liquidation Member) 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.

If, on any Calculation Date following service of a Notice to Pay, 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 and, whilst Covered Bonds are outstanding, the Security Trustee and the Bond Trustee, of any breach of the Amortisation Test.

The **"Amortisation Test Aggregate Loan Amount"** will be calculated on each Calculation Date as follows:

$$A + B + C - Y - Z$$

where,

A = the aggregate **"Amortisation Test Outstanding Principal Balance"** of each Loan, which shall be the lower of:

- (a) the actual Outstanding Principal Balance of the relevant Loan as calculated on the relevant Calculation Date multiplied by M; and
- (b) 100 per cent. of the Indexed Valuation multiplied by M,

where for all Loans that are not Defaulted Loans M = 1 and for all Loans that are Defaulted Loans M = 0.7;

- B = the sum of the amount of any cash standing to the credit of the GIC Account 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;
- Y = an amount equal to the Supplemental Liquidity Reserve Amount; and
- Z = the weighted average remaining maturity of all Covered Bonds (expressed in years) then outstanding *multiplied by* the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds *multiplied by* the Negative Carry Factor.

***Sale of Selected Loans and their Related Security 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 "*Credit Structure – Pre-Maturity Liquidity*"). 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 Sellers 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 "*Credit Structure – Pre-Maturity Liquidity*".

***Sale of Selected Loans and their Related Security if a Supplemental Liquidity Event has occurred***

If a Supplemental Liquidity Event has occurred which is continuing, then the LLP is permitted (but not required) to sell Selected Loans with the aim to fund or replenish the Supplemental Liquidity Reserve Ledger, provided that the aggregate Outstanding Principal Balance of Selected Loans so sold shall not exceed the Supplemental Liquidity Reserve Amount.

The amounts standing to the credit of the Supplemental Liquidity Reserve Ledger will only be available for application as follows:

- (a) prior to the service of a Notice to Pay, if and to the extent the relevant sale or refinancing of Selected Loans relates to a Supplemental Liquidity Event which is continuing, for credit to the Pre-Maturity Liquidity Ledger up to an amount equal to the Required Redemption Amount of each Series of Hard Bullet Covered Bonds in respect of which the Pre-Maturity Liquidity Ledger is being maintained or, if the Supplemental Liquidity Event is not continuing, for credit to the Principal Ledger;
- (b) following the service of a Notice to Pay, but prior to service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or the realisation of the Security, on the Final Maturity Date of the Earliest Maturing Covered Bonds of any Series of Hard Bullet Covered Bonds or on the Extended Due for Payment Date of the Earliest Maturing Covered Bonds of any Series of Covered Bonds to which an Extended Due for Payment Date applies, as the case may be, for payment of principal then due and payable on the relevant Series of Covered Bonds or, as applicable, the amount then due and payable in respect of principal under a Swap Agreement (if applicable) in respect of the relevant Series of Covered Bonds (in either case after taking account of any payment made by the Issuer in respect thereof or expected to be made by the Seller in respect thereof in accordance with the relevant Priority of Payments or from the Pre-Maturity Liquidity Ledger) or, if no Series of Covered Bonds is outstanding, for transfer to the Principal Ledger; and
- (c) following the service of a Notice to Pay and of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or the realisation of the Security, to be credited to the Principal Ledger.

Except to the extent permitted by the Cash Management Agreement, amounts so credited to the Supplemental Liquidity Reserve Ledger shall not constitute Available Principal Receipts.

For these purposes, a "**Supplemental Liquidity Event**" will occur if:

- (a) the Issuer's short-term credit rating from S&P is lower than A-1 (or such higher rating as is notified by the Issuer to S&P and the Security Trustee from time to time) and the Final Maturity Date of any Series of Hard Bullet Covered Bonds occurs within 12 months (or such longer period as is notified by the Issuer to S&P and the Security Trustee from time to time) following the relevant Pre-Maturity Test Date; or
- (b) the Issuer's (i) long-term credit rating from Moody's is lower than A2 (or such higher rating as is notified by the Issuer to Moody's and the Security Trustee from time to time) or (ii) short-term credit rating from Moody's is lower than P-1 and, in either case, the Final Maturity Date of any Series of Hard Bullet Covered Bonds occurs within 12 months (or such longer period as is notified by the Issuer to Moody's and the Security Trustee from time to time) following the relevant Pre-Maturity Test Date; or
- (c) the Issuer's short-term credit rating from Fitch is lower than F1+ (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 or any Series of Hard Bullet Covered Bonds occurs within 12 months (or such longer period as is notified by the Issuer to Fitch and the Security Trustee from time to time) following the relevant Pre-Maturity Test Date.

***Sale of Selected Loans and their Related Security following service of an Asset Coverage Test Breach Notice***

After service of an Asset Coverage Test Breach Notice (which has not been revoked) on the LLP but prior to service of a Notice to Pay 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 in the Portfolio and their Related Security in accordance with the LLP Deed (as described below), subject to the rights of pre-emption in favour of the Seller to buy the Selected Loans and their Related Security pursuant to the Mortgage Sale Agreement and subject to any Cash Capital Contribution made by the Members. The proceeds from any such sale shall be credited to the GIC Account and applied as set out in "*Cashflows – Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of an Asset Coverage Test Breach Notice*".

***Sale of Selected Loans and their Related Security following service of a Notice to Pay***

After 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 the realisation of the Security, the LLP will be obliged to sell Selected Loans in the Portfolio and their Related Security in accordance with the LLP Deed (as described below), subject to the rights of pre-emption in favour of the Seller to buy the Selected Loans in the Portfolio and their Related Security pursuant to the Mortgage Sale Agreement. The proceeds from any such sale will be credited to the GIC 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 a failure of the Pre-Maturity Test, the service of an Asset Coverage Test Breach Notice (if not revoked) or a Notice to Pay, the LLP will be required to ensure that before offering Selected Loans for sale:

- (a) the Selected Loans have been selected from the Portfolio on a random basis as described in the LLP Deed; and
- (b) the Selected Loans have an aggregate Outstanding Principal Balance in an amount (the "**Required Outstanding Principal 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 Outstanding Principal 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 LLP Payment Date following that Calculation Date (assuming for this purpose that the Asset Coverage Test Breach Notice is not revoked on the next Calculation Date); or

- (ii) following a failure of the Pre-Maturity Test or a service of a Notice to Pay:

$$N \times \frac{\text{Outstanding Principal Balance of all Loans in the Portfolio less the Supplemental Liquidity Available Amount}}{\text{the Sterling Equivalent of the Required Redemption Amount in respect of each Series of Covered Bonds then outstanding}}$$

Where:

"N" is an amount equal to:

- (i) in respect of Selected Loans 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; and
- (ii) in respect of the Selected Loans being sold following the service of a Notice to Pay, the Sterling Equivalent of the Required Redemption Amount of the Earliest Maturing Covered Bonds less amounts standing to the credit of the GIC Account 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).

**"Required Redemption Amount"** means, in respect of a Series of Covered Bonds, the amount calculated as follows:

$$\text{the Principal Amount Outstanding of the relevant Series of Covered Bonds} \times (1 + \text{Negative Carry Factor} \times (\text{days to maturity of the relevant Series of Covered Bonds} / 365))$$

**"Supplemental Liquidity Available Amount"** means (i) prior to the service of a Notice to Pay, an amount equal to the Supplemental Liquidity Reserve Amount minus, if a Supplemental Liquidity Event has occurred which is continuing, an amount equal to the aggregate current balance of Loans sold to fund or replenish the Supplemental Liquidity Reserve Ledger, unless otherwise proposed to the Rating Agencies and (ii) following the service of a Notice to Pay, an amount equal to the Supplemental Liquidity Reserve Amount.

The LLP will offer the Selected Loans and their Related Security for sale to Purchasers for the best price reasonably available but in any event:

- (i) following the service of an Asset Coverage Test Breach Notice (but prior to service of a Notice to Pay), for an amount not less than the Outstanding Principal Balance of the Selected Loans plus the Arrears of Interest and Accrued Interest thereon; and
- (ii) 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 the Notice to Pay, if the Selected Loans have not been sold (in whole or in part) in an amount equal to the Adjusted Required Redemption Amount by the date which is six months prior to, as applicable, (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 or, in respect of 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; and (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, 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 rights of pre-emption enjoyed by the Seller pursuant to the Mortgage Sale Agreement) is permitted to offer for sale a portfolio of Selected Loans, in accordance with the provisions summarised above, in respect of other Series of Covered Bonds.

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 months of, 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 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; and (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, 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 not revoked) or a Notice to Pay, the LLP will instruct the portfolio manager to use all reasonable endeavours to procure that Selected Loans are sold as quickly as reasonably practicable (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, 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 or, in respect of 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; and (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, 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 dissolve or purport to dissolve the LLP 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 Board (and, for so long as any Covered Bonds are outstanding, the consent of the Security Trustee) or as envisaged by or pursuant to 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;
- (b) 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;
- (d) incur any indebtedness or give any guarantee or indemnity in respect of any such indebtedness;
- (e) consolidate or merge with or transfer any of its property or assets to another person;
- (f) have any employees, premises or subsidiaries;
- (g) acquire assets;
- (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; or
- (k) commence, defend, settle or compromise any litigation or other claims relating to it or any of its assets.

The LLP 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, it will:

- (a) maintain its registered office in England and Wales;
- (b) hold all meetings of the LLP Management Board in England and Wales;
- (c) following an insolvency of the Issuer, provide such information as it is required by Regulation 24 (Requirements relating to the Asset Pool) of the RCB Regulations to provide to the FCA and notify the FCA if the requirements set out in Regulation 24(1)(a)(ii) or Regulation 24(1)(a)(iii) of the RCB Regulations are not or are not likely to be, satisfied at any time after such an insolvency in accordance with the provisions of the RCB Regulations;
- (d) 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;
- (e) 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; and
- (f) at any time when it proposes to transfer ownership of the Asset Pool, comply with its obligations under Regulation 25 (Change of Owner) of the RCB Regulations and RCB 3.5 of the RCB Sourcebook.

***Limit on Investing in Substitution Assets and Authorised Investments***

Prior to service of an Asset Coverage Test Breach Notice (if not revoked) or a Notice to Pay on the LLP, the LLP will be permitted to invest Available Revenue Receipts, Available Principal Receipts and the proceeds of Term Advances in Substitution Assets, **provided that** the aggregate amount so invested in such Substitution Assets does not exceed 10 per cent. of the total assets of the LLP at any one time and **provided that** such investments are made in accordance with the terms of the Cash Management Agreement. Placing

such amounts in any LLP Account will not constitute an investment in Substitution Assets for these purposes.

Following service of an Asset Coverage Test Breach Notice (if not revoked) or a Notice to Pay on the LLP, all Substitution Assets must be sold by the LLP (or the Cash Manager on its behalf) as quickly as reasonably practicable and the proceeds credited to the GIC Account and the LLP will be permitted to invest all available monies in Authorised Investments, **provided that** such investments are made in accordance with the terms of the Cash Management Agreement. There is no limit on the amounts that the LLP shall be entitled to invest in Authorised Investments.

### ***Other Provisions***

The allocation and distribution of Revenue Receipts, Principal Receipts and all other amounts received by the LLP is described under "*Cashflows*".

The LLP Management Board, consisting as at the date of this Prospectus of directors, officers and/or employees of the Seller (in its capacity as Member), and to which the Members delegate all matters (other than any decision to approve the audited accounts of the LLP, to make a resolution for the voluntary winding-up of the LLP or to contribute to the losses of the LLP, which require a unanimous decision of the Members) will act on behalf of the LLP. Any decision by the LLP Management Board relating to the appointment of a liquidator, waiving certain indemnities provided to the LLP, any transfer of the whole or any part of or any change in the LLP's business, any change to the LLP's name or 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 dissolve or purport to dissolve the LLP or institute any winding-up, administration, insolvency or other similar proceedings against the LLP. Furthermore, the Members have agreed, *inter alia*, not to demand or receive payment of any amounts payable by the LLP (or the Cash Manager on its behalf) or the Security Trustee unless all amounts then due and payable by the LLP to all other creditors ranking higher in the relevant Priority of Payments have been paid in full or appropriate provisions have been made for their payment.

Each Member will be responsible for the payment of its own tax liabilities and will be required to indemnify the LLP and the other Members from any liabilities which they incur as a result of the relevant Member's non-payment.

Following the appointment of a liquidator to the Seller or the disposal by the Seller of its interest in the shares of the Liquidation Member (other than with the consent of the LLP and, for as long as any Covered Bonds are outstanding, the Security Trustee), any decisions of the LLP that are reserved to the Members in the LLP Deed shall be made by the Liquidation Member only, the Seller shall cease to be a Member of the LLP and the Liquidation Member shall become entitled to appoint a Subsidiary as a Member of the LLP.

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 between the LLP, Santander UK in its capacity as the Cash Manager and the Security Trustee.

The Cash Manager's services include but are not limited to:

- (a) maintaining the Ledgers on behalf of the LLP;
- (b) maintaining records of all Authorised Investments and/or Substitution Assets, as applicable;
- (c) distributing the Revenue Receipts and the Principal Receipts in accordance with the Priorities of Payment described under "*Cashflows*";
- (d) 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*";

- (e) determining whether the Amortisation Test is satisfied on each Calculation Date following the service of a Notice to Pay in accordance with the LLP Deed, as more fully described under "*Credit Structure – Amortisation Test*";
- (f) 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*";
- (g) providing the FCA with information on the composition of any Substitution Assets and/or Authorised Investments comprised in the assets of the LLP and/or such other information as may be required by the FCA in accordance with the RCB Regulations; and
- (h) preparation of Investor Reports for the Covered Bondholders, the Rating Agencies and the Bond Trustee.

In certain circumstances the LLP and the Security Trustee will each have the right to terminate the appointment of the Cash Manager and to appoint a substitute (the identity of which will be subject to the Security Trustee's written approval). Any substitute cash manager will have substantially the same rights and obligations as the Cash Manager (although the fee payable to the substitute cash manager may be higher).

The Cash Management Agreement is governed by English law.

### **Interest Rate Swap Agreement**

Some of the Loans in the Portfolio from time to time will pay a variable rate of interest for a period of time that may either be linked to the Abbey Standard Variable Rate or linked to an interest rate other than the Abbey Standard Variable Rate, such as a rate that tracks the Bank of England base rate. Other Loans will pay a fixed rate of interest for a period of time. However, the Sterling payments to be made by the LLP under each of the Covered Bond Swaps will be based on a rate of interest, prior to the inclusion of margin, agreed between the LLP and the Covered Bond Swap Provider and, in addition, the LLP's obligations to make interest payments under the outstanding Term Advances, or (following service on the LLP of a Notice to Pay) the Covered Bond Guarantee, will be based on the rate of interest, prior to the inclusion of margin, as set out in the Intercompany Loan Agreements. To provide a hedge against the possible variance between:

- (a) the rates of interest payable on the Loans in the Portfolio; and
- (b) the rate of interest (i) agreed between the LLP and the Covered Bond Swap Provider under the Covered Bond Swaps, or (ii) as set out in the Intercompany Loan Agreements, as applicable, in each case prior to the inclusion of the relevant margin,

the LLP, the Interest Rate Swap Provider and the Security Trustee will have entered into Interest Rate Swaps under the Interest Rate Swap Agreement.

Separate Interest Rate Swaps have previously been entered into in respect of individual Series of Covered Bonds or several Series of Covered Bonds. However, the Interest Rate Swap Provider has given notice in accordance with the Interest Rate Swap Agreement, effective from 14 June 2013, to enter into a single Interest Rate Swap in the form of a cover pool swap transaction (the "**Cover Pool Swap**") and the existing Interest Rate Swaps (the "**Existing Interest Rate Swaps**") were deactivated and replaced with the Cover Pool Swap. The Cover Pool Swap also hedges possible variance between income on the GIC Swap Balance and Substitution Assets and the rate of interest payable by the LLP under the Covered Bond Swaps and Terms Advances (in respect of Series of Covered Bonds in respect of which no Covered Bond Swap was entered into) (as set out below).

The Interest Rate Swap Provider may give notice to restructure the Cover Pool Swap into one or more Interest Rate Swaps or to deactivate the Cover Pool Swap. Following such deactivation, the Existing Interest Rate Swaps (together with any additional Interest Rate Swaps entered into since 14 June 2013 that are conditional on the deactivation of the Cover Pool Swap) will resume to be in full force and effect.

Under the Cover Pool Swap, the LLP pays to the Interest Rate Swap Provider an amount in Sterling equivalent to the sum of (i) the total amount of interest paid to the LLP on the outstanding balance of the Loans in the Portfolio for the Calculation Period ending immediately prior to that LLP Payment Date; (ii)



the amount of interest paid to the LLP under the GIC Account attributable to the calendar month ending immediately prior to that LLP Payment Date in respect of the GIC Swap Balance; and (iii) the total amount of interest paid to the LLP in respect of any Substitution Assets attributable to the Calculation Period ending immediately prior to that LLP Payment Date.

In return, the Interest Rate Swap Provider pays to the LLP, on each monthly LLP Payment Date, an amount in Sterling calculated by reference to (i) the Cover Pool Swap notional amount and (ii) the weighted average floating rate used to calculate amounts paid by the LLP under the Covered Bond Swaps and Term Advances (in respect of Series of Covered Bonds in respect of which no Covered Bond Swap was entered into) plus a margin.

The Cover Pool Swap notional amount is an amount in Sterling equal to the sum of (i) the average balance of the Loans during the Calculation Period ending immediately prior to the relevant LLP Payment Date, (ii) the average GIC Swap Balance during the calendar month ending immediately prior to the relevant LLP Payment Date, and (iii) the average aggregate nominal amount of any Substitution Assets during the Calculation Period ending immediately prior to the relevant LLP Payment Date. In each case, the size of the relevant asset class for this purpose is deemed to be an amount equal to the size of the relevant asset class multiplied by a performance ratio (being the quotient of (a) the amount of interest received by the LLP in respect of that asset class and (b) the total amount of interest due and payable to the LLP in respect of that asset class).

The "**GIC Swap Balance**" means the lesser of:

- (a) an amount equal to the greater of:
  - (i) the sum of the balance of the Reserve Fund and certain sale proceeds following a Sale of Selected Loans that are deposited in the GIC Account; and
  - (ii) the total amount which would need to be deposited in the GIC Account on any day such that if the Asset Coverage Test was tested on such date, it would be satisfied, and
- (b) the balance of the GIC Account.

If the Cover Pool Swap is terminated and the Existing Interest Rate Swaps (together with any additional Interest Rate Swaps entered into since 14 June 2013 that are conditional on the deactivation of the Cover Pool Swap) are reactivated, the LLP will not be hedged in respect of the GIC Swap Balance or Substitution Assets and the terms of the LLP's hedge will be different.

Under the terms of the Interest Rate Swap Agreement, in the event that the relevant rating of the Interest Rate Swap Provider or any guarantor of the Interest Rate Swap Provider's obligations is downgraded by a Rating Agency below the rating specified in the Interest Rate Swap Agreement (in accordance with the criteria of the Rating Agencies) for the Interest Rate Swap Provider or any guarantor of the Interest Rate Swap Provider's obligations, the Interest Rate Swap Provider will, in accordance with the Interest Rate Swap Agreement, be required to take certain remedial measures, which may include providing collateral for its obligations under the Interest Rate Swaps (however, where the LLP has served a notice instructing the Servicer to set the LLP Standard Variable Rate by reference to the SONIA Spot Rate plus 0.15 per cent. (as described at "*Servicing Agreement – Setting of LLP Standard Variable Rate and variable rates in relation to Tracker Loans*" above), from the date of such notice no collateral will be provided in respect of the obligations of the Interest Rate Swap Provider in respect of the Interest Rate Swaps to the extent that such obligations relate to the Standard Variable Rate Loans), arranging for its obligations under the Interest Rate Swaps to be transferred to an entity with ratings required by the relevant Rating Agency, procuring another entity with the ratings required by the relevant Rating Agency to become co-obligor or guarantor in respect of its obligations under the Interest Rate Swaps, or taking such other action as it may agree with the relevant Rating Agency (which may, for the avoidance of doubt, include taking no action and providing no collateral). A failure to take such steps will allow the LLP to terminate the Interest Rate Swap Agreement.

The Interest Rate Swap Agreement may also be terminated in certain other circumstances (each referred to as an "**Interest Rate Swap Early Termination Event**"), including:

- at the option of any party to the Interest Rate Swap Agreement, if there is a failure by the other party to make timely payments of any amounts due under the Interest Rate Swap Agreement; and

- upon the occurrence of the insolvency of the Interest Rate Swap Provider or any guarantor of the Interest Rate Swap Provider's obligations, or the merger of the Interest Rate Swap Provider without an assumption of its obligations under the Interest Rate Swap Agreement.

Upon the termination of an Interest Rate Swap, pursuant to an Interest Rate Swap Early Termination Event, the LLP or the Interest Rate Swap Provider may be liable to make a termination payment to the other party 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 to the LLP under the Interest Rate Swaps, the Interest Rate Swap Provider shall always be obliged to gross up those payments. If withholding taxes are imposed on payments made by the LLP to the Interest Rate Swap Provider under the Interest Rate Swaps, the LLP shall not be obliged to gross up those payments.

The Interest Rate Swap Provider may transfer all its interest and obligations in and under the relevant Interest Rate Swap Agreement to a transferee with the minimum ratings required by each of the Rating Agencies, without any prior written consent of the Security Trustee, subject to certain conditions. If the LLP is required to sell Selected Loans in the Portfolio in order to remedy a breach of the Asset Coverage Test following service of an Asset Coverage Test Breach Notice, following a failure of the Pre-Maturity Test or in order to provide liquidity in respect of the Earliest Maturing Covered Bonds following service of a Notice to Pay, then, to the extent that such Selected Loans include Fixed Rate Loans, the LLP may either:

- require that the Interest Rate Swaps 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
- require the Interest Rate Swaps to be partially novated to the purchaser of such Fixed Rate Loans, and such purchaser will thereby become party to a separate interest rate swap transaction with the Interest Rate Swap Provider and any amounts by which the LLP is in or out of money in connection with the relevant Interest Rate Swap obligations will be taken into account in calculating the Adjusted Required Redemption Amount for the sale of the Selected Loans.

The Interest Rate Swap Agreement is (and each Interest Rate Swap thereunder is or will be) governed by English law.

### **Covered Bond Swap Agreements**

The LLP has entered and will enter into Covered Bond Swaps with Covered Bond Swap Providers and the Security Trustee. Each Covered Bond Swap may be either a "**Forward Starting Covered Bond Swap**" or a "**Non-Forward Starting Covered Bond Swap**". Where the LLP enters into a Forward Starting Covered Bond Swap, the Term Advances made under the Intercompany Loan Agreement will be made in Sterling, regardless of the currency of the relevant Series or Tranche, as applicable, of Covered Bonds.

Each Forward Starting Covered Bond Swap will provide a hedge (after service of a Notice to Pay on the LLP or service of an LLP Acceleration Notice) against certain interest rate, currency and/or other risks in respect of amounts received by the LLP under the Loans and the Interest Rate Swaps (if any) and amounts payable by the LLP under the Covered Bond Guarantee in respect of the Covered Bonds.

Each Non-Forward Starting Covered Bond Swap will provide a hedge against certain interest rate, currency and/or other risks in respect of amounts received by the LLP under the Loans and the Interest Rate Swaps (if any) and amounts payable by the LLP under the Intercompany Loan Agreement (prior to service of a Notice to Pay on the LLP or service of an LLP Acceleration Notice) and under the Covered Bond Guarantee in respect of the Covered Bonds (after service of a Notice to Pay on the LLP or service of an LLP Acceleration Notice).

Where required to hedge such risks, there will be one (or more) Covered Bond Swap Agreement(s) and Covered Bond Swap(s) in relation to each Series or Tranche, as applicable, of Covered Bonds.

Under the Forward Starting Covered Bond Swaps, the Covered Bond Swap Provider will pay to the LLP on each Interest Payment Date, after service of a Notice to Pay on the LLP or service of an LLP Acceleration Notice, an amount equal to the relevant portion of the amounts that would be payable by the LLP under the Covered Bond Guarantee in respect of interest and principal payable under the relevant Series or Tranche of Covered Bonds. In return, the LLP will pay to the Covered Bond Swap Provider an amount in Sterling

calculated by reference to SONIA (or such other rate of interest agreed between the LLP and the Covered Bond Swap Provider) plus a spread.

Under the Non-Forward Starting Covered Bond Swaps on the relevant Issue Date, the LLP will pay to the Covered Bond Swap Provider an amount equal to the relevant portion of the amount received by the LLP under the applicable Term Advance (being the aggregate nominal amount of such Series or Tranche, as applicable, of Covered Bonds) and in return the Covered Bond Swap Provider will pay to the LLP the Sterling Equivalent of the first-mentioned amount. Thereafter, the Covered Bond Swap Provider will pay to the LLP, on each Interest Payment Date, an amount equal to the relevant portion of the amounts that would be payable by the LLP under either the applicable Term Advance in accordance with the terms of the Intercompany Loan Agreement or the Covered Bond Guarantee in respect of interest and principal payable under the relevant Series or Tranche of Covered Bonds. In return, the LLP will periodically pay to the Covered Bond Swap Provider an amount in Sterling calculated by reference to SONIA (or such other rate of interest agreed between the LLP and the Covered Bond Swap Provider) plus a spread and, where relevant, the Sterling Equivalent of the relevant portion of any principal due to be repaid in respect of the relevant Term Advance in accordance with the Intercompany Loan Agreement.

Under the terms of each Forward Starting Covered Bond Swap and each Non-Forward Starting Covered Bond Swap, in the event that the relevant rating of the Covered Bond Swap Provider or any guarantor of the Covered Bond Swap Provider's obligations is downgraded by a Rating Agency below the rating specified in the relevant Covered Bond Swap Agreement (in accordance with the criteria of the Rating Agencies) for the Covered Bond Swap Provider or any guarantor of the Covered Bond Swap Provider's obligations, 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, arranging for its obligations under the Covered Bond Swap 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 or guarantor 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. In addition, if the net exposure of the LLP against the Covered Bond Swap Provider under the relevant Covered Bond Swap exceeds the threshold specified in the relevant Covered Bond Swap Agreement, the Covered Bond Swap Provider may (depending on the rating of the Covered Bond Swap Provider) be required to provide collateral for its obligations. A failure to take such steps will, subject to certain conditions, allow the LLP to terminate the Covered Bond Swap.

A Covered Bond Swap Agreement may also be terminated in certain other circumstances (each referred to as a "**Covered Bond Swap Early Termination Event**"), including:

- at the option of any party to the Covered Bond Swap Agreement, if there is a failure by the other party to make timely payments of any amounts due under such Covered Bond Swap Agreement; and
- upon the occurrence of an insolvency of the Covered Bond Swap Provider or any guarantor of the Covered Bond Swap Provider's obligations, or the merger of the Covered Bond Swap Provider without an assumption of its obligations under the relevant Covered Bond Swap Agreement.

Upon the termination of a Covered Bond Swap, the LLP or the 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 will first be used (prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice) to pay a replacement Covered Bond Swap Provider to enter into a replacement Covered Bond Swap with the LLP, unless a replacement Covered Bond Swap 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, unless such termination payment has already been made on behalf of the LLP. Any Tax Credits received by the LLP or any Member of the LLP in respect of a Covered Bond Swap will first be used to reimburse the relevant Covered Bond Swap Provider for any gross-up in respect of any withholding or deduction made under the relevant Covered Bond Swap.

Any Tax Credits or 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 the Covered Bond Swap Provider to the LLP under a Covered Bond Swap, the 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, the LLP shall not be obliged to gross up those payments.

The Covered Bond Swap Provider may transfer all its interest and obligations in and under the relevant Covered Bond Swap Agreement to a transferee with the minimum ratings required by each of the Rating Agencies, without any prior written consent of the Security Trustee, subject to certain conditions, including, in certain circumstances, confirmation from the Rating Agencies that the then current ratings of the relevant Series of the Covered Bonds will not be adversely affected.

In the event that the Covered Bonds are redeemed and/or cancelled in accordance with the Terms and Conditions, the Covered Bond Swap(s) in connection with such Covered Bonds will terminate or partially terminate, as the case may be. Any breakage costs payable by or to the LLP in connection with such termination will be taken into account in calculating:

- (a) the Adjusted Required Redemption Amount for the sale of Selected Loans; and
- (b) the purchase price to be paid for any Covered Bonds purchased by the LLP in accordance with Condition 6.10 (*Purchases*).

The Covered Bond Swap Agreements are (and each Covered Bond Swap thereunder, will be) governed by English law.

#### **Bank Account Agreement**

Pursuant to the terms of the Bank Account Agreement entered into between the LLP, the Account Bank, the Cash Manager and the Security Trustee, the LLP will maintain with the Account Bank the GIC Account described below together with the Swap Payments Accounts and the Swap Collateral Accounts, which will be operated in accordance with the Cash Management Agreement, the LLP Deed, the Deed of Charge and the relevant Swap Agreements.

All amounts received from Borrowers in respect of Loans in the Portfolio will be paid into the GIC Account and credited to the Revenue Ledger or the Principal Ledger, as the case may be. On each LLP Payment Date, as applicable, amounts required to meet the claims of the LLP's various creditors and amounts to be distributed to the Members under the LLP Deed will be transferred from the Revenue Ledger, the Principal Ledger, the Reserve Ledger or the Capital Account Ledger, as applicable, to the Payment Ledger on the GIC Account and applied by the Cash Manager in accordance with the Priorities of Payments described below under "*Cashflows*".

The GIC Account, the Swap Payments Accounts and the Swap Collateral Accounts may be required to be transferred to an alternative bank in certain circumstances, including if the ratings assigned to the short-term, unsecured, unsubordinated and unguaranteed debt obligations of the relevant Account Bank fall below A-1 by S&P, F1 by Fitch or P-1 by Moody's or if the ratings assigned to the long-term, unsecured, unsubordinated and unguaranteed debt obligations of the relevant Account Bank fall below A by Fitch.

The Bank Account Agreement is governed by English law.

#### **Guaranteed Investment Contract**

The LLP has entered into a Guaranteed Investment Contract (or "**GIC**") with the GIC Provider, the Cash Manager and the Security Trustee, pursuant to which the GIC Provider has agreed to pay interest on the monies standing to the credit thereof at specified rates determined in accordance with the GIC.

The Guaranteed Investment Contract is governed by English law.

## **Corporate Services Agreement**

The Liquidation Member and Holdings have entered into a Corporate Services Agreement with Wilmington Trust SP Services (London) Limited (as Corporate Service Provider), pursuant to which 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.

## **Issuer-ICSDs Agreement**

The Issuer has entered into an Issuer-ICSDs Agreement with Euroclear and Clearstream, Luxembourg (the "ICSDs") in respect of any Covered Bonds issued in NGCB form. The Issuer-ICSDs Agreement provides that the ICSDs will, in respect of any such NGCBs, maintain their respective portion of the issue outstanding amount through their records.

The Issuer-ICSDs Agreement is governed by English law.

## **Deed of Charge**

Pursuant to the terms of the Deed of Charge entered into by the LLP, the Security Trustee and the other Secured Creditors, the 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) an assignation in security of the LLP's interest in the Scottish Loans and their Related Security (comprising the LLP's beneficial interest under the trusts declared by the Seller pursuant to the Scottish Declarations of Trust);
- (c) 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;
- (d) 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 the Excess Proceeds) and any other account of the LLP and all amounts standing to the credit of the LLP Accounts and such other accounts;
- (e) 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
- (f) a first floating charge over (i) all the assets and undertaking of the LLP governed by English law or Northern Irish law and not, from time to time, subject to any fixed charge in favour of the Security Trustee pursuant to the Deed of Charge and (ii) all the assets and undertaking of the LLP located in or governed by the law of Scotland (whether or not subject to any fixed charge as aforesaid).

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 after the Programme Date by means of Scottish Supplemental Charges pursuant to the Deed of Charge. In the event of the delivery of Scottish transfers pursuant to the Mortgage Sale Agreement, the LLP will deliver Scottish Sub-Securities in respect of the Scottish Loans and their related Scottish Mortgages then in the Portfolio to the Security Trustee.

## **Release of Security**

In the event of any sale of Loans (including Selected Loans) and their Related Security by the LLP pursuant to and in accordance with the Transaction Documents, such Loans and their Related Security shall be released from the Security and the Security Trustee shall, if so requested in writing by the LLP (and at the sole cost and expense of the LLP), take whatever action is necessary to release, reassign or discharge those Loans and their Related Security from the Security provided that, in the case of Selected Loans only, the

LLP shall have provided to the Security Trustee a certificate from two authorised signatories of the LLP that the Selected Loans 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, such Loan and its Related Security shall automatically be deemed released from the Security created by and pursuant to the Deed of Charge on the date of the repurchase.

***Enforcement***

If an LLP Acceleration Notice is served on the LLP, the Security Trustee shall be entitled to appoint a Receiver and/or enforce the Security constituted by the Deed of Charge (including selling the Portfolio) and/or take such steps as it shall deem necessary, subject in each case to being indemnified and/or secured to its satisfaction. All proceeds (other than any Tax Credit, Third Party Amount or Swap Collateral Excluded Amounts) received by the Security Trustee from the enforcement 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 any aspects of the Deed of Charge relating to the Northern Irish Loans and their Related Security which will be governed by Northern Irish law and other than the assignation in security referred to in paragraph (b) above and any Scottish Supplemental Charge granted after the Programme Date pursuant and supplemental to the Deed of Charge and any Scottish Sub-Security which will, in each case, be governed by Scots law).

## CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured, unconditional obligations of the Issuer. The LLP has no obligation to pay the Guaranteed Amounts under the Covered Bond Guarantee until service of a Notice to Pay on the LLP following service by the Bond Trustee of an Issuer Acceleration Notice 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 Covered Bondholders, as follows:

- the Covered Bond Guarantee provides credit support to the Issuer;
- 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 Asset Coverage Test is intended to test the asset coverage of the LLP's assets in respect of the Covered Bonds outstanding at all times;
- the Amortisation Test is intended to test the asset coverage of the LLP's assets in respect of the Covered Bonds following service of a Notice to Pay on the LLP;
- if the Issuer's short-term ratings fall below A1+ by S&P, F1 by Fitch or P-1 by Moody's, or the Issuer's long-term ratings fall below A by Fitch, Available Revenue Receipts will be trapped in the Reserve Fund; and
- under the terms of the Guaranteed Investment Contract, the GIC Provider has agreed to pay a variable rate of interest on all amounts held by the LLP in the GIC Account at a rate equal to the SONIA Spot Rate published on the date on which the amount is calculated (or, if such day is not a London Business Day, on the immediately preceding London Business Day) in respect of an LLP Payment Period or such other rate as may be agreed by the LLP and the GIC Provider which is published by the Bank of England and commonly used (or intended to be used) in the United Kingdom for the calculation of interest on deposits.

Certain of these factors are considered more fully in the remainder of this section.

### 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 (*Events of Default, Acceleration and Enforcement*) following the service of a Notice to Pay. 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. However, should any payments made by the LLP under the Covered Bond Guarantee be subject to any withholding or deduction on account of taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom or any political subdivision thereof or by any authority therein or thereof having the power to tax, the LLP will not be obliged to pay any additional amount as a consequence.

See further "*Summary of the Principal Documents – Trust Deed*" as regards the terms of the Guarantee. See further "*Cashflows – Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of a Notice to Pay – Guarantee Priority of Payments*" as regards the payment of amounts payable by the LLP to Covered Bondholders and other Secured Creditors following service of a Notice to Pay.

### 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 Document 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 short-term credit rating from S&P is A-1 (or lower) (or such higher rating as is notified by the Issuer to S&P and the Security Trustee from time to time) and the Final Maturity Date of the Series of Hard Bullet Covered Bonds occurs within 12 months (or such longer period as is notified by the Issuer to S&P and the Security Trustee from time to time) from the relevant Pre-Maturity Test Date; or
- (b) 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 12 months (or such longer period as is notified by the Issuer to Moody's and the Security Trustee from time to time) from the relevant Pre-Maturity Test Date or (ii) short-term credit rating from Moody's is P-1 (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 12 months (or such longer period as is notified by the Issuer to Moody's and the Security Trustee from time to time) from the relevant Pre-Maturity Test Date; or
- (c) 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 12 months (or such longer period as is notified by the Issuer to Fitch and the Security Trustee from time to time) from the relevant Pre-Maturity Test Date,

(each a "**Supplemental Liquidity Event**").

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 Sellers pursuant to the Mortgage Sale Agreement and to any Cash Capital Contributions made by the Members) 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 – Allocation and distribution of Available Revenue Receipts prior to service of an Asset Coverage Test Breach Notice (which has not been revoked), a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security – Pre-Acceleration Revenue Priority of Payments*".

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 fully repays 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 GIC 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 LLP Management Board 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 LLP Management Board 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 its Members (other than the Liquidation Member) must ensure that on each Calculation Date, the Adjusted Aggregate Loan Amount will be in an amount equal to or in excess of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date. If the Adjusted Aggregate Loan Amount is not equal to, or greater than, the aggregate Principal Amount Outstanding of the Covered Bonds on the next following Calculation Date, the Asset Coverage Test will be breached and the Bond Trustee will serve an Asset Coverage Test Breach Notice on the LLP. The Asset Coverage Test is a formula which adjusts the Outstanding Principal Balance of each Loan in the Portfolio and has further adjustments to take account of set-off on a Borrower's current or deposit accounts held with the Seller, setoff associated with drawings made by Borrowers under Flexible Loans and failure by the Seller, in accordance with the Mortgage Sale Agreement, to repurchase Defaulted Loans or Loans that do not materially comply with the Representations and Warranties on the relevant Assignment Date. See further "*Summary of the Principal Documents – LLP Deed – Asset Coverage Test*".

An Asset Coverage Test Breach Notice will be revoked if, on any Calculation Date falling on or prior to the third Calculation Date following the service of the Asset Coverage Test Breach Notice, the Asset Coverage Test is satisfied and neither a Notice to Pay nor an LLP Acceleration Notice has been served.

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

### **Amortisation Test**

The Amortisation Test is intended to ensure that if, following service of a Notice to Pay on the LLP (but prior to service on the LLP of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security), the assets of the LLP available to 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 fall to a level where Covered Bondholders may not be repaid, an LLP Event of Default will occur and all amounts owing under the Covered Bonds may be accelerated. Under the LLP Deed, the LLP and its Members (other than the Liquidation Member) must ensure that, on each Calculation Date following service of a Notice to Pay on the LLP, the Amortisation Test Aggregate Loan Amount will be 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 Outstanding Principal 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*".

### **Reserve Fund**

If, at any time prior to the occurrence of an Issuer Event of Default, the Issuer's short-term, unsecured, unsubordinated and unguaranteed debt obligations cease to be rated A-1+ by S&P or F1 by Fitch or P-1 by Moody's, or the Issuer's long-term, unsecured, unsubordinated and unguaranteed debt obligations fall below A by Fitch, the LLP will be required to credit Available Revenue Receipts to the Reserve Fund 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 and service of an Issuer Acceleration Notice.

The Reserve Fund Required Amount will be funded from the proceeds from any Term Advances and 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, service of an Issuer Acceleration Notice 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.

The Seller may also direct the LLP to credit any Cash Capital Contributions it makes to the LLP to the Reserve Ledger. The balance on the Reserve Ledger in excess of the Reserve Fund Required Amount will form part of Available Revenue Receipts and be applied accordingly.

## CASHFLOWS

As described above under "*Credit Structure*", until a Notice to Pay is served on the LLP, the Covered Bonds will be obligations of the Issuer only. The Issuer is liable to make payments when due on the Covered Bonds, whether or not it has received any corresponding payment from the LLP.

This section summarises the Priorities of Payments of the LLP, as to the allocation and distribution of amounts standing to the credit of the LLP Accounts and their order of priority:

- (a) prior to service on the LLP of an Asset Coverage Test Breach Notice, a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security;
- (b) following service of an Asset Coverage Test Breach Notice (and for so long as it has not been revoked);
- (c) following service of a Notice to Pay; and
- (d) following service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security.

### **Allocation and distribution of Available Revenue Receipts prior to service of an Asset Coverage Test Breach Notice (which has not been revoked), a Notice to Pay or an LLP Acceleration Notice 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 has not been revoked), a Notice to Pay or an LLP Acceleration Notice on the LLP and/or the commencement of winding-up proceedings against the LLP and/or 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 and the Reserve Fund Required Amount (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 five 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 Revenue Ledger and the Reserve Ledger, as applicable, to the Payment Ledger on the GIC Account, in an amount equal to the lower of (a) the amount required to make the payments described below and (b) the amount of Available Revenue Receipts standing to the credit of the GIC Account.

Prior to service on the LLP of an Asset Coverage Test Breach Notice (which has not been revoked), a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, Available Revenue Receipts 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 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 payment of any amounts due and payable by the LLP to the Bond Trustee, the Security Trustee, each Agent and to other 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 this Pre-Acceleration Revenue Priority 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 discharge any liability of the LLP for Taxes and stamp duties;

- (b) *second*, in or towards payment *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 under the provisions of the Servicing Agreement in the immediately succeeding LLP Payment Period, together with applicable amounts in respect of VAT (or similar Taxes) thereon as provided therein;
  - (ii) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager under the provisions of the Cash Management Agreement in the immediately succeeding LLP Payment Period, together with applicable amounts in respect of VAT (or similar Taxes) thereon as provided therein;
  - (iii) amounts (if any) due and payable to the Account Bank (including any costs, charges, liabilities and expenses) pursuant to the terms of the Bank Account Agreement, together with applicable amounts in respect of VAT (or similar Taxes) thereon as provided therein;
  - (iv) amounts (including costs and expenses) due and payable to the Corporate Services Provider pursuant to the terms of the Corporate Services Agreement, together with applicable amounts in respect of VAT (or similar Taxes) thereon as provided therein; and
  - (v) amounts due and payable to the Asset Monitor pursuant to the terms of the Asset Monitor Agreement (other than the amounts referred to in item (h) below), together with applicable amounts in respect of VAT (or similar Taxes) thereon as provided therein;
- (c) *third*, 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 any amount due or to become due and payable to the Interest Rate Swap Provider (including any termination payment due and payable by the LLP under the Interest Rate Swap Agreement, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Swap Providers) pursuant to the terms of the Interest Rate Swap Agreement;
- (d) *fourth*, 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 and, if applicable, any amounts (other than principal) receivable from a Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on the LLP Payment Date or such date in the future as the Cash Manager may reasonably determine), of:
- (i) any amounts due or to become due and payable to the Covered Bond Swap Providers (other than in respect of principal) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment due and payable by the LLP under the relevant Covered Bond Swap Agreement, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Swap Providers) pursuant to the terms of the relevant Covered Bond Swap Agreements; and
  - (ii) if the LLP is required to make a deposit to the Pre-Maturity Liquidity Ledger in accordance with the LLP Deed, a credit to the GIC Account with a corresponding credit to that Ledger of an amount up to but not exceeding the difference between:
    - (A) the Required Redemption Amount as calculated on the immediately preceding Calculation Date for the relevant Series of Hard Bullet Covered Bonds; and
    - (B) 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,

(for the purposes of this item (ii), the amount required to be credited to the GIC Account in respect of each relevant Series of Hard Bullet Covered Bonds shall be calculated sequentially, and each calculation shall take account of amounts to be credited in respect of other Series of Hard Bullet Covered Bonds (to avoid double counting));

- (e) *fifth*, any amounts due or to become due and payable (excluding principal amounts), *pro rata* and *pari passu* in respect of each relevant Term Advance to the Issuer pursuant to the terms of the Intercompany Loan Agreement;
- (f) *sixth*, if a Servicer Event of Default has occurred, all remaining Available Revenue Receipts to be credited to the GIC Account (with a corresponding credit to the Revenue Ledger) until such Servicer Event of Default is either remedied or waived by the Security Trustee or a new servicer is appointed to service the Portfolio (or the relevant part thereof);
- (g) *seventh*, in or towards a credit to the Reserve Ledger on the GIC Account of an amount required to ensure that the Reserve Fund is funded to the Reserve Fund Required Amount as calculated on the immediately preceding Calculation Date;
- (h) *eighth*, in or towards payment *pro rata* and *pari passu* in accordance with the respective amounts thereof of any Excluded Swap Termination Amounts due and payable by the LLP under the Covered Bond Swap Agreements and the Interest Rate Swap Agreement, except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Swap Providers;
- (i) *ninth*, in or towards payment *pro rata* and *pari passu* in accordance with the respective amounts thereof of any indemnity amount due to the Members pursuant to the LLP Deed and any indemnity amount due to the Asset Monitor pursuant to the Asset Monitor Agreement;
- (j) *tenth*, in or towards payment of Deferred Consideration (including any Postponed Deferred Consideration) due to the Seller for the sale of the Loans and their Related Security to the LLP and, to pay all remaining Available Revenue Receipts (if the amount of the remaining Available Revenue Receipts is greater than the amount of the profit to be paid to the Members in accordance with item (k) below, after deducting an amount equal to the profit to be paid to the Members in accordance with item (k) below) to the Seller (subject to deducting any amounts due to the LLP or the Security Trustee by way of set-off pursuant to Clause 5.3 of the Mortgage Sale Agreement); and
- (k) *eleventh*, towards payment *pro rata* and *pari passu* to the Members of a certain sum (specified in the LLP Deed) by way of fees and as their profit for their respective interests as Members in the LLP.

Any amounts (other than Swap Collateral Excluded Amounts) received by the LLP under the Interest Rate Swap Agreement on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payments made on any preceding LLP Payment Date, to make payments (other than in respect of principal) due and payable *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap under the Covered Bond Swap Agreements or, as the case may be, in respect of each relevant Term Advance under the Intercompany Loan Agreement or otherwise to make provision for such payments on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine.

Any amounts (other than in respect of principal and other than Swap Collateral Excluded Amounts) received by the LLP under a Covered Bond Swap on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payments made on any preceding LLP Payment Date, to make payments (other than principal) due and payable *pro rata* and *pari passu* in respect of each relevant Term Advance under the Intercompany Loan Agreement or otherwise to make provision for such payments on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine.

Any amounts (other than Swap Collateral Excluded Amounts) received under the Interest Rate Swap Agreement and any amounts (other than in respect of principal and other than Swap Collateral Excluded Amounts) received under the Covered Bond Swap Agreements on the LLP Payment Date or on any date prior to the next succeeding LLP Payment Date which are not put towards a payment or provision in accordance with item (d) above or the preceding two paragraphs will be credited to the Revenue Ledger on the GIC Account and applied as Available Revenue Receipts on the next succeeding LLP Payment Date.

If any Swap Collateral Available Amounts are received by the LLP on an LLP Payment Date, such monies shall be applied by the LLP or by the Cash Manager on its behalf on that LLP Payment Date in the same manner as it would have applied the receipts which such Swap Collateral Available Amounts replace.

**Allocation and distribution of Available Principal Receipts prior to service on the LLP of an Asset Coverage Test Breach Notice (which has not been revoked), a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security**

Prior to service on the LLP of an Asset Coverage Test Breach Notice (which has not been revoked), a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, 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 funds from the Principal Ledger or the Capital Account Ledger, as the case may be, to the Payment Ledger on the GIC Account, in an amount equal to the lower of (a) the amount required to make the payments described below and (b) the amount of Available Principal Receipts standing to the credit of the GIC Account.

If any payments of principal are required to be made by the LLP on an Interest Payment Date, 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 under the Covered Bonds on that Interest Payment Date unless, notwithstanding the proviso in item (c) of the Pre-Acceleration Principal Priority of Payments or in the paragraph immediately following the Pre-Acceleration Principal Priority of Payments, payment is made by the LLP directly to the Bond Trustee (or 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 has not been revoked), a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, Available Principal Receipts 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 made in full):

- (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 all Principal Receipts to 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 the 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,

(for the purposes of this item (ii), the amount required to be credited to the GIC Account in respect of each relevant Series of Hard Bullet Covered Bonds shall be calculated sequentially, and each

calculation shall take account of amounts to be credited in respect of other Series of Hard Bullet Covered Bonds (to avoid double counting));

- (b) *second*, to acquire New Loans and their Related Security offered to the LLP by the Seller in accordance with the terms of the Mortgage Sale Agreement and to acquire Substitution Assets in an amount sufficient to ensure that, taking into account the other resources available to the LLP, the LLP is in compliance with the Asset Coverage Test;
- (c) *third*, to deposit the remaining Available Principal Receipts in the GIC 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*, in or towards repayment on the LLP Payment Date (or to provide for repayment on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine) of the corresponding Term Advance related to such Series of Covered Bonds by making the following payments:
  - (i) the amounts (in respect of principal) due or to become due and payable to the relevant Covered Bond Swap Providers *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment due and payable by the LLP under the relevant Covered Bond Swap Agreements, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Swap Providers) in accordance with the terms of the relevant Covered Bond Swap Agreement; and
  - (ii) (where appropriate, after taking into account any amounts in respect of principal receivable from a Covered Bond Swap Provider on the LLP Payment Date or such date in the future as the Cash Manager may reasonably determine) the amounts (in respect of principal) due or to become due and payable to the Issuer *pro rata* and *pari passu* in respect of each relevant Term Advance,

**provided that** no amounts shall be applied to make a payment to the Issuer in respect of a Term Advance if the principal amounts outstanding under the related Series of Covered Bonds which have fallen due for payment have not been repaid in full by the Issuer; and

- (e) *fifth*, subject to complying with the Asset Coverage Test, to make a Capital Distribution *pro rata* and *pari passu* to each Member (other than the Liquidation Member) by way of return of that Member's Capital Contribution to the LLP (or, if Santander UK is not then a Member of the LLP, towards repayment of the Abbey Subordinated Loan) in accordance with the LLP Deed.

Any amounts in respect of principal (other than Swap Collateral Excluded Amounts) received by the LLP under a Covered Bond Swap on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payments made on any preceding LLP Payment Date (**provided that** all principal amounts outstanding under the related Series of Covered Bonds which have fallen due for repayment on such date have been repaid in full by the Issuer), to make payments in respect of principal due and payable to the Issuer in respect of the corresponding Term Advance under the Intercompany Loan Agreement or otherwise to make provision for such payments on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine.

Any amounts of principal (other than Swap Collateral Excluded Amounts) received under the Covered Bond Swap Agreements on the LLP Payment Date or any date prior to the next succeeding LLP Payment Date which are not put towards a payment or provision in accordance with item (c) above or the preceding paragraph will be credited to the Principal Ledger on the GIC Account and applied as Available Principal Receipts on the next succeeding LLP Payment Date.

If any Swap Collateral Available Amounts are received by the LLP on an LLP Payment Date, such monies shall be applied by the LLP or by the Cash Manager on its behalf on that LLP Payment Date in the same manner as it would have applied the receipts which such Swap Collateral Available Amounts replace.

### **Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of an Asset Coverage Test Breach Notice**

At any time after service on the LLP of an Asset Coverage Test Breach Notice (which has not been revoked), but prior to service of a Notice to Pay or service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, all Available Revenue Receipts and Available Principal Receipts will continue to be applied in accordance with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments save that, whilst any Covered Bonds remain outstanding, no monies will be applied under item (e), (i) (to the extent only that such amounts are payable to the Members), (j) or (k) of the Pre-Acceleration Revenue Priority of Payments or item (b), (d)(ii) or (e) of the Pre-Acceleration Principal Priority of Payments.

### **Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of a Notice to Pay**

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, all 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 Revenue Ledger, the Reserve Ledger, the Principal Ledger or the Capital Account Ledger, as the case may be, to the Payment Ledger on the GIC Account, in an amount equal to the lower of (a) the amount required to make the payments set out in the Guarantee Priority of Payments and (b) the amount of all Available Revenue Receipts and Available Principal Receipts standing to the credit of such ledgers on the GIC 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 item (e) of the "*Guarantee Priority of Payments*" below, and such amounts, once allocated, will only be available to pay amounts due under the Covered Bond Guarantee and amounts due under the Covered Bond Swap in respect of the relevant Series of Covered Bonds on the scheduled payment dates therefor.

#### ***Guarantee Priority of Payments***

If a Notice to Pay is served on the LLP (as set out in the LLP Deed), the LLP shall, on the relevant Final Maturity Date apply all monies standing to the credit of the Pre-Maturity Liquidity Ledger (and transferred to the Transaction Account on the relevant LLP Payment Date) to repay the Series of Hard Bullet Covered Bonds in respect of which the Pre-Maturity Liquidity Ledger was established in accordance with the LLP Deed (as described in "*Credit Structure – Pre-Maturity Liquidity*"). Subject thereto, on each LLP Payment Date on and from the date of service of a Notice to Pay on the LLP (but prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or the realisation of the Security), the LLP or the Cash Manager on its behalf will apply Available Revenue Receipts and Available Principal Receipts to make the following payments and provisions in the following order of priority (the "**Guarantee Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (a) *first*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) all amounts due and payable or to become due and payable to the Bond Trustee in the immediately succeeding LLP Payment Period under the provisions of the Trust Deed together with interest and applicable amounts in respect of VAT (or similar Taxes) thereon as provided therein; and
  - (ii) all amounts due and payable or to become due and payable to the Security Trustee in the immediately succeeding LLP Payment Period under the provisions of the Deed of Charge together with interest and applicable amounts in respect of VAT (or similar Taxes) thereon as provided therein;



- (b) *second*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any remuneration then due and payable to the Agents under or pursuant to the Agency Agreement together with applicable amounts in respect of VAT (or similar Taxes) thereon as provided therein; and
    - (A) any amounts then due and payable by the LLP to third parties and incurred without breach by the LLP of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere in this Guarantee Priority of Payments) and to provide for any such amounts expected to become due and payable by the LLP in the immediately succeeding LLP Payment Period and to pay or discharge any liability of the LLP for Taxes and stamp duty;
- (c) *third*, in or towards payment *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 together with applicable amounts in respect of VAT (or similar Taxes) thereon as provided therein;
  - (ii) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager in the immediately succeeding LLP Payment Period under the provisions of the Cash Management Agreement, together with applicable amounts in respect of VAT (or similar Taxes) thereon as provided therein;
  - (iii) amounts (if any) due and payable to the Account Bank (including any costs, charges, liabilities and expenses) pursuant to the terms of the Bank Account Agreement, together with applicable amounts in respect of VAT (or similar Taxes) thereon as provided therein;
  - (iv) amounts due and payable to the Corporate Services Provider pursuant to the Corporate Services Agreement together with applicable amounts in respect of VAT (or similar Taxes) thereon as provided therein;
  - (v) amounts (if any) due and payable to the FCA under the RCB Regulations (other than the initial registration fees) together with applicable VAT (or other similar taxes) thereon; and
  - (vi) amounts due and payable to the Asset Monitor (other than the amounts referred to in item (k) below) pursuant to the terms of the Asset Monitor Agreement, together with applicable amounts in respect of VAT (or similar Taxes) thereon as provided therein;
- (d) *fourth*, 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 any amount due or to become due and payable to the Interest Rate Swap Provider (including any termination payment due or to become due and payable by the LLP under the Interest Rate Swap Agreement, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Swap Providers) pursuant to the terms of the Interest Rate Swap Agreement;
- (e) *fifth*, 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 payments falling due in the future as the Cash Manager may reasonably determine, of:
- (i) the amounts due or to become due and payable to the relevant Covered Bond Swap Providers (other than in respect of principal) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment due and payable by the LLP under the relevant Covered Bond Swap Agreements, but excluding any Excluded

Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Swap Providers) in accordance with the terms of the relevant Covered Bond Swap Agreement; and

- (ii) Scheduled Interest that is Due for Payment (or that will become Due for Payment) under the Covered Bond Guarantee in respect of each Series of Covered Bonds 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 each Series of Covered Bonds,

but, in the case of any such payment or provision, after taking into account any amounts receivable from the Interest Rate Swap Provider under the Interest Rate Swap Agreement and, if applicable, any amounts (other than principal) receivable from a Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on the LLP Payment Date or such date in the future as the Cash Manager may reasonably determine, **provided that** if the amount available for distribution under this item (e) (excluding any amounts received or to be received from the Covered Bond Swap Providers) would be insufficient to pay the Sterling Equivalent of the Scheduled Interest that is or will be Due for Payment in respect of each Series of Covered Bonds under item (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 under the relevant Covered Bond Swap Agreement in respect of each relevant Series of Covered Bonds or provision to be made in respect thereof under item (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*, in or towards payment on the LLP Payment Date or to provide for payment prior to the next LLP Payment Date, of:

- (i) the amounts (in respect of principal) due or to become due and payable to the relevant Covered Bond Swap Provider *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment due and payable by the LLP under the relevant Covered Bond Swap Agreement, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Swap Providers) in accordance with the terms of the relevant Covered Bond Swap Agreement; and
- (ii) (where appropriate, after taking into account any amounts in respect of principal receivable from a Covered Bond Swap Provider and available to make payments in respect thereof) Scheduled Principal that is Due for Payment (or that 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 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 each Series of Covered Bonds,

**provided that** if the amount available for distribution under this item (f) (excluding any amounts received or to be received from the Covered Bond Swap Providers) would be insufficient to pay the Sterling Equivalent of the Scheduled Principal that is or will be Due for Payment in respect of each Series of Covered Bonds under item (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 under the relevant Covered Bond Swap Agreement in respect of each relevant Series of Covered Bonds or provision to be made in respect thereof under item (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 or towards payment on the LLP Payment Date (if such date is an Interest Payment Date) or to provide for payment on any Interest Payment Date prior to the next following LLP Payment Date of the Final Redemption Amount (or portion thereof remaining unpaid) of any Series of Covered Bonds to which an Extended Due for Payment Date applies and whose Final

Redemption Amount was not paid in full by the Extension Determination Date, by making the following payments:

- (i) the amounts due or to become due and payable to the relevant Covered Bond Swap Providers (whether or not 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 Covered Bond Swap Agreement, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Swap Providers) in accordance with the terms of the relevant Covered Bond Swap Agreement; and
- (ii) the Final Redemption Amount *pro rata* and *pari passu* under the Covered Bond Guarantee in respect of each relevant Series of Covered Bonds to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the Covered Bondholders,

but, in the case of any such payment or provision, after taking into account any amounts receivable from the Interest Rate Swap Provider in respect of the corresponding Interest Rate Swap and, if applicable, any amounts (whether or not in respect of principal) receivable from the relevant Covered Bond Swap Provider in respect of the corresponding Covered Bond Swap, **provided that** if the amount available for distribution under this item (g) (excluding any amounts received or to be received from the Covered Bond Swap Provider) would be insufficient to pay the Sterling Equivalent of the Final Redemption Amount in respect of the relevant Series of Covered Bonds under item (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 under the relevant Covered Bond Swap Agreement in respect of each Series of Covered Bonds under item (g)(i) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

- (h) *eighth*, to deposit the remaining monies in the GIC Account for application on the next following LLP Payment Date in accordance with the priority of payments described in item (a) to (g) (inclusive) above, until the Covered Bonds have been fully repaid or repayment in full of the Covered Bonds has been provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds);
- (i) *ninth*, in or towards payment *pro rata* and *pari passu* according to 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, except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Swap Providers;
- (j) *tenth*, in or towards payment of any amounts due or to become due and payable in the immediately succeeding LLP Payment Period (whether in respect of principal or interest) under the Intercompany Loan Agreement, *pro rata* and *pari passu* in respect of each relevant Term Advance;
- (k) *eleventh*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of any indemnity amount due to the Members pursuant to the LLP Deed (and, if Santander UK is not then a Member of the LLP, towards repayment of the Abbey Subordinated Loan) and certain costs, expenses and indemnity amounts due by the LLP to the Asset Monitor pursuant to the Asset Monitor Agreement; and
- (l) *twelfth*, thereafter any remaining monies will be applied in accordance with the LLP Deed.

Any amounts (other than Swap Collateral Excluded Amounts) received by the LLP under the Interest Rate Swap Agreement after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payment made on any preceding LLP Payment Date, to make payments (other than in respect of principal) due and payable *pro rata* and *pari passu* in respect of each Covered Bond Swap under the Covered Bond Swap Agreements or, as the case may be, in respect of interest due under the Covered Bond Guarantee *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds.

Any amounts (other than Swap Collateral Excluded Amounts) received by the LLP under a Covered Bond Swap (whether or not in respect of principal) after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payment made on any preceding LLP Payment Date, to make payments of interest or principal, as the case may be, in respect of the Covered Bond Guarantee *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds.

Any amounts (other than Swap Collateral Excluded Amounts) received under the Interest Rate Swap Agreement or any Covered Bond Swap Agreement on the LLP Payment Date or any date prior to the next succeeding LLP Payment Date which are not put towards a payment or provision in accordance with item (e), (f) or (g) above or the preceding two paragraphs will be credited to the Revenue Ledger or the Principal Ledger on the GIC Account (as appropriate) and applied as Available Revenue Receipts or Available Principal Receipts, as the case may be, on the next succeeding LLP Payment Date.

If any Swap Collateral Available Amounts are received by the LLP on an LLP Payment Date, such monies shall be applied by the LLP or by the Cash Manager on its behalf on that LLP Payment Date in the same manner as it would have applied the receipts which such Swap Collateral Available Amounts replace.

#### **Termination payments received in respect of Swaps, premiums received in respect of replacement Swaps and Tax Credits received in respect of 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 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 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.

#### **Application of monies received by the Security Trustee following service of an LLP Acceleration Notice, realisation of the Security and/or the commencement of winding-up proceedings against the LLP**

Under the terms of the Deed of Charge, subject to Regulations 28 and 29 of the RCB Regulations, all monies received or recovered by the Security Trustee or any Receiver (other than any Tax Credit, Third Party Amount or Swap Collateral Excluded Amount) will be applied, following the service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, 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 or to become due and payable to:
    - (A) the Bond Trustee under the provisions of the Trust Deed together with interest and applicable amounts in respect of VAT (or similar Taxes) chargeable on the supply in respect of which the payment is made 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 amounts in respect of VAT (or similar Taxes) chargeable on the supply in respect of which the payment is made as provided therein;
  - (ii) any remuneration then due and payable to the Agents under or pursuant to the Agency Agreement together with applicable VAT (or similar Taxes) thereon as provided therein;
  - (iii) amounts in respect of:
    - (A) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicer

under the provisions of the Servicing Agreement, together with applicable amounts in respect of VAT (or similar Taxes) chargeable on the supply in respect of which the payment is made as provided therein;

- (B) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager under the provisions of the Cash Management Agreement, together with applicable amounts in respect of VAT (or similar Taxes) chargeable on the supply in respect of which the payment is made as provided therein;
  - (C) amounts due to the Account Bank (including any costs, charges, liabilities and expenses) pursuant to the terms of the Bank Account Agreement, together with applicable amounts in respect of VAT (or similar Taxes) chargeable on the supply in respect of which the payment is made as provided therein; and
  - (D) amounts (including costs and expenses) due to the Corporate Services Provider pursuant to the terms of the Corporate Services Agreement together with applicable amounts in respect of VAT (or similar Taxes) chargeable on the supply in respect of which the payment is made as provided therein;
- (iv) any amounts due and payable to the Interest Rate Swap Provider (including any termination payment, but excluding any Excluded Swap Termination Amount) pursuant to the terms of the Interest Rate Swap Agreement;
- (v) all amounts due and payable:
- (A) to the relevant Covered Bond Swap Provider *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) in accordance with the terms of the relevant Covered Bond Swap Agreement; and
  - (B) under the Covered Bond Guarantee, 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 interest and principal due and payable on each Series of Covered Bonds,

**provided that** if the amount available for distribution under this item (a)(v) (excluding any amounts referred to in item (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 item (B) above, the shortfall shall be divided amongst all such Series of Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider in respect of each relevant Series of Covered Bond Swap under item (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*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof, of any Excluded Swap Termination Amounts due and payable by the LLP under the Covered Bond Swap Agreements and the Interest Rate Swap Agreement;
- (c) *third*, in or towards payment of amounts (if any) due and payable to the FCA under the RCB Regulations (other than the initial registration fees) together with applicable VAT (or similar Taxes) thereon as provided therein;
- (d) *fourth*, in or towards payment of all amounts outstanding under the Intercompany Loan Agreement *pro rata* and *pari passu* in respect of each relevant Term Advance;
- (e) *fifth*, in or towards payment of any indemnity amount due to the Members pursuant to the LLP Deed; and

- (f) *sixth*, in or towards payment to the Members (and, if Santander UK is not then a Member of the LLP, towards repayment of the Abbey Subordinated Loan) pursuant to the LLP Deed.

If the LLP receives any Tax Credits in respect of a Swap following the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice, such Tax Credits will be used to reimburse the relevant Swap Provider for any gross-up in respect of any withholding or deduction made under the relevant Swap. Following the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice, any Swap Collateral Excluded Amounts in respect of a Swap will be returned to the relevant Swap Provider subject to the terms of the relevant Swap Agreement, and any Third Party Amounts will be returned to the Seller.

The above Post-Enforcement Priority of Payments is subject to the provisions of Regulations 28 and 29 of the RCB Regulations. In particular, costs properly incurred by a receiver, liquidator, provisional liquidator or manager of the LLP in relation to:

- (i) persons providing services for the benefit of Covered Bondholders (which is likely to include the persons listed in item (a) above (excluding the Swap Providers));
- (ii) the Swap Providers in respect of amounts due to them under item (a) above; and
- (iii) any other persons providing a loan to the LLP to enable it to meet the claims of Covered Bondholders or the costs of the people described in paragraphs (i) and (ii) above (e.g. liquidity loans),

shall be expenses which shall be payable out of the proceeds of realisation of the Security (in the case of a receivership) or the assets of the LLP (in the case of an administration, winding-up or provisional liquidation), and shall rank equally among themselves in priority to all other expenses (including the claims of Covered Bondholders). See further, "*Risk Factors – Legal and Regulatory Risks – Expenses of insolvency officeholders*".

## FURTHER INFORMATION RELATING TO THE REGULATION OF MORTGAGES IN THE U.K.

### Current regulation of mortgage agreements under the FSMA

In the U.K., regulation of residential mortgage business under the FSMA came into force on 31 October 2004 (the "**Regulation Effective Date**"). Entering into a regulated mortgage contract as a lender, arranging or advising in respect of, and administering regulated mortgage contracts, and/or agreeing to do any of those activities, are (subject to applicable exemptions) regulated activities under the FSMA and the FSMA 2000 (Regulated Activities) Order 2001 (as amended) (the "**RAO**") requiring authorisation and permission from the FCA.

The original definition of a regulated mortgage contract was such that if a mortgage contract was entered into on or after the Regulation Effective Date but prior to 21 March 2016, it was a regulated mortgage contract under the RAO if: (i) the lender provided credit to an individual or to trustees; and (ii) the obligation of the borrower to repay was secured by a first legal mortgage (or, in Scotland, a first ranking standard security) on land (other than timeshare accommodation) in the U.K.; and (iii) at least 40 per cent. was used, or was intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who was a beneficiary of the trust, or by a related person. A related person is: (1) that person's spouse or civil partner; (2) a person (whether or not of the opposite sex) whose relationship with that person has the characteristics of the relationship between husband and wife; or (3) that person's parent, brother, sister, child, grandparent or grandchild (a "**Related Person**").

There have been incremental changes to the definition of a "regulated mortgage contract" over time, including the removal of the requirement for the security to be first ranking.

The current definition of a regulated mortgage contract is such that if a mortgage contract was entered into on or after 21 March 2016, the contract will be a regulated mortgage contract if, at the time it is entered into, the following conditions are met: (a) the borrower is an individual or trustee; (b) the contract provides for the obligation of the borrower to repay to be secured by a mortgage on land; (c) at least 40% of that land is used, or is intended to be used: (i) in the case of credit provided to an individual, as or in connection with a dwelling; or (ii) in the case of credit provided to a trustee which is not an individual as or in connection with a dwelling by an individual who is a beneficiary of the trust, or by a Related Person. In relation to a contract entered into before 23:00 on 31 December 2020, 'land' means land in the United Kingdom or within the territory of an EEA State and in relation to a contract entered into on or after 23:00 on 31 December 2020, 'land' means land in the United Kingdom. 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 "consumer credit back book mortgage contracts" and are also therefore regulated mortgage contracts (see "*Regulation of residential secured lending (other than Regulated Mortgage Contracts)*" below).

On and from the Regulation Effective Date, subject to any exemption, persons carrying on any specified regulated mortgage-related activities by way of business must be authorised under the FSMA. The specified activities currently are: (a) entering into a regulated mortgage contract as lender; (b) administering a regulated mortgage contract (administering in this context broadly means notifying borrowers of changes in mortgage payments and/or taking any necessary steps for the purposes of collecting payments due under the mortgage loan); (c) advising in respect of regulated mortgage contracts; and (d) arranging regulated mortgage contracts. Agreeing to carry on any of these activities is also a regulated activity. If requirements as to the authorisation of lenders and brokers are not complied with, a regulated mortgage contract will be unenforceable against the borrower except with the approval of a court and the unauthorised person may commit a criminal offence. An unauthorised person who carries on the regulated mortgage activity of administering a regulated mortgage contract that has been validly entered into may commit an offence, although this will not render the contract unenforceable against the borrower. The regime under the FSMA regulating financial promotions covers the content and manner of the promotion of agreements relating to qualifying credit and 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.

The Seller is required to hold, and does hold, authorisation and permission to enter into and to administer and, where applicable, to advise in respect of regulated mortgage contracts. Brokers are in certain circumstances 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 with respect to regulated mortgage contracts and related activities. 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 virtue of having the relevant regulated mortgage contracts administered pursuant to an administration agreement by an entity having the required authorisation and permission under the FSMA. If such administration agreement terminates, however, the LLP will have a period of not more than one month in which to arrange for mortgage administration to be carried out by a replacement administrator having the required authorisation and permission under the FSMA. In addition, on and after the Regulator Effective Date, no variation has been or will be made to the Loans and no drawings under flexible loans and no Further Advance or Product Switch has been or will be made in relation to a Loan, where it would result in the LLP arranging or advising in respect of, administering or entering into a regulated mortgage contract or agreeing to carry on any of these activities, if the LLP would be required to be authorised under the FSMA to do so.

The FCA's Mortgages and Home Finance: Conduct of Business Sourcebook ("**MCOB**"), which sets out the FCA's rules for regulated mortgage activities, came into force on 31 October 2004. These rules cover, among other things, certain pre-origination matters such as financial promotion and pre-application illustrations, pre-contract and start-of-contract and post-contract disclosure, contract changes, charges and arrears and repossessions. 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 an FCA or PRA rule and may set off the amount of the claim against the amount owing by the borrower under the loan or any other loan that the borrower has taken with that authorised person (or exercise analogous rights in Scotland or Northern Ireland).

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

The U.K. 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 U.K. government concluded 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 U.K. 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. This policy of regulating lending secured on a borrower's home consistently also meant that the U.K. 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. Consequently, in November 2015, the U.K. government made legislation the effect of which was that the administration of and other activities relating to pre-October 2004 first charge mortgages which at that time were regulated by the CCA became regulated mortgage activities from 21 March 2017. The transfer of CCA regulated mortgages to the FSMA regime was implemented by the Mortgage Credit Directive Order 2015 on 21 March 2016 ("**the Mortgage Credit Directive Order**"). The government put in place transitional provisions for existing loans so that some of the CCA protections in place when the loans were originally taken out were not removed retrospectively. Unregulated mortgages which were originated before 31 October 2004, remain unregulated and are not regulated by virtue of the implementation of the Mortgage Credit Directive Order.

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 are now 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 were 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 were also retained. If interest was not chargeable under a consumer credit back book mortgage contract due to non-compliance with section 77A of the CCA (duty to serve an annual statement) or section 86B of the 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 section 77A of the CCA and section 86D of the CCA ceased 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 CONC and the CCA that are not contained within MCOB.

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".

### **Regulation of buy-to-let mortgages**

Buy-to-let mortgage loans can fall under several different regulatory regimes. They can be:

- unregulated;
- regulated by the CCA as a regulated credit agreement – as defined under article 60B of the RAO (a "**Regulated Credit Agreement**");
- regulated by FSMA as a Regulated Mortgage Contract; or
- regulated as a consumer buy-to-let mortgage contract under the consumer buy-to-let regime – as defined by the Mortgage Credit Directive Order 2015 (a "**Consumer Buy-to-let Loan**" or "**CBTL**").

As at the date of this Prospectus, there are no buy-to-let loans in the Cover Pool.

#### *Unregulated buy to let mortgage loans*

Many buy to let mortgage loans will be unregulated because they do not meet the criteria for a Regulated Credit Agreement, Regulated Mortgage Contract or Consumer Buy to Let Loan. There are, however, still a number of regulated activities that apply to some unregulated buy to let mortgage loans. These activities are debt administration and debt collection but the LLP does not have to be authorised to carry out these activities.

#### *Buy-to-let loans which are Regulated Credit Agreements*

Certain buy-to-let mortgages are regulated by the CCA because buy-to-let loans only became exempt from CCA regulation on 31 October 2008. Buy-to-let loans originated prior to 31 October 2008, will be regulated by the CCA if the amount of credit was less than the relevant financial limit in place at the time and no other relevant CCA exemption applied. The financial limit for CCA regulation was abolished on 6 April 2008 in respect of all loans except buy-to-let loans. The financial limit of £25,000 in place at the time for CCA regulated loans was not removed for buy-to-let loans until 31 October 2008. Those 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 that were 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 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.

#### *Buy-to-let loans which are Regulated Mortgage Contracts*

A buy-to-let loan secured on the property to be let is potentially a Regulated Mortgage Contract. A Regulated Mortgage Contract would arise if such buy-to-let loan is not excluded from being a Regulated Mortgage Contract as a loan to a commercial borrower or is not excluded from being a Regulated Mortgage Contract as a Consumer Buy-to-Let Loan. For example, a buy-to-let loan could be Regulated Mortgage Contract if the property upon which the buy-to-let loan was secured was to be occupied by the borrower's relatives as their home. If requirements as to the authorisation of lenders and brokers involved in the origination of a Regulated Mortgage Contract 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.

#### *Consumer buy-to-let loans*

The CBTL framework was implemented on 21 March 2016 and is only applicable to consumer borrowers, the majority of buy-to-let lending in the UK being to non-consumers (based on HM Treasury's estimate that only 11 per cent. of buy-to-let mortgages as at the date of implementation of the CBTL framework would fall into this category).

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. Santander UK plc is registered as a Consumer buy-to-let lender, a Consumer buy-to-let administrator and a Consumer buy-to-let arranger. The Mortgage Credit Directive Order sets out a number of conduct standards for firms carrying on CBTL business, which cover, amongst other things, requirements for pre-contractual illustrations, assessing creditworthiness, adequate explanations and arrears and repossessions. The FCA has amended the FCA Handbook to reflect its supervisory and enforcement powers in respect of such conduct standards.

Santander UK 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. Santander UK is also registered as a consumer buy-to-let lender, consumer buy-to-let administrator, consumer buy-to-let arranger and consumer buy-to-let advisor.

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. The Issuer is authorised to enter into regulated credit agreements as lender and to exercise or have the right to exercise the lender's rights and duties under a regulated credit agreement (excluding high-cost short-term credit, bill of sale agreements and home collected credit agreements).

#### *Changes in tax relief*

Since April 2017, the UK Government has been implementing a phased restriction on the amount of income tax relief that individual landlords can claim for residential property finance costs (such as mortgage interest). With effect from 6 April 2020, no deduction is available for finance costs from rental income and instead all rental income will only be eligible for a tax credit at the basic rate of income tax (20%).

From 1 April 2016, a higher rate of stamp duty land tax ("**SDLT**") has applied to the purchase of additional residential properties (such as buy-to-let properties) in England, Wales and Northern Ireland. From 1 April 2018, Welsh land transaction tax ("**WLTT**") has applied to properties in Wales. The current additional rate is three per cent above the current SDLT and WLTT rates. The Scottish Government has also implemented, from 1 April 2016, a similar additional dwelling supplement tax in respect of purchases of residential properties with a total purchase price of £40,000 or more in respect of land and buildings transaction tax ("**LBTT**") (broadly speaking, the equivalent in Scotland to SDLT). The current additional rate in Scotland is four per cent of the full chargeable consideration of the property above the current LBTT rate. On 11 March 2020, the government announced that it would introduce a 2% SDLT surcharge on non-UK residents purchasing residential property in England and Northern Ireland with effect from 1 April 2021. This will

apply in addition to the 3% additional rate that applies to the purchase of additional residential properties described above.

The introduction of the measures may adversely affect the private residential rental market in England, Wales, Scotland and Northern Ireland in general, or (in case of the restriction of income tax relief) the ability of individual borrowers of buy-to-let mortgage loans to meet their obligations under those mortgage loans. In addition, the UK Government has announced that from 1 April 2021 an additional SDLT surcharge of two per cent. will apply to purchases of residential property in England and Northern Ireland by non-UK resident buyers, which may also have an adverse effect on prices of houses in those areas.

In addition, a different (and higher) rate of capital gains tax ("**CGT**") applies in respect of a gain realised by an individual on the disposal of a residential property which is not the taxpayer's principal private residence (e.g. a second home or a buy-to-let property) than the rate of CGT that applies in respect of taxable gains realised on the disposal of other assets.

### **The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 (the Energy Efficiency Regulations)**

From 1 April 2018, landlords of domestic private rented properties (as defined in the Energy Efficiency Regulations) in England and Wales may not grant a tenancy to new or existing tenants if the relevant property has an Energy Performance Certificate (as defined in the Energy Performance of Buildings (Certificates and Inspections) (England and Wales) Regulation 2007 (an "**EPC**") rating of band F or G (as shown on a valid EPC 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 EPC for the property). In both cases described above, this is referred to in the Energy Efficiency Regulations as the prohibition on letting substandard property. Where a landlord wishes to continue letting property which is currently substandard, landlords will need to ensure that energy efficiency improvements are made which raise the EPC rating to a minimum of E. In certain circumstances landlords may be able to claim an exemption from this prohibition on letting sub-standard property; this includes situations where the landlord is unable to obtain funding to cover the cost of making improvements, or where all improvements which can be made have been made, and the property remains below an EPC rating of band E. Local authorities will enforce compliance with the domestic minimum level of energy efficiency. Local authorities may check whether a property meets the minimum level of energy efficiency, and may issue a compliance notice requesting information where it appears to the local authorities that a property has been let in breach of the Energy Efficiency Regulations (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 it may serve a notice on the landlord imposing financial penalties.

Similar requirements were due to apply to landlords of domestic properties in Scotland from 1 April 2020 under the Energy Efficiency (Private Rented Property) (Scotland) Regulations 2019. However, the Scottish Government has delayed indefinitely this timetable due to the COVID-19 pandemic.

### **Assured Shorthold Tenancy**

Depending on the level of ground rent payable at any one time it is possible that a long leasehold in England and Wales may also be an Assured Tenancy ("**AT**") or Assured Shorthold Tenancy ("**AST**") under the Housing Act 1988 ("**HA 1988**"). If it is, this could have the consequences set out below.

A tenancy or lease in England and Wales will be an AT if granted after 15 January 1989 and:

- (iv) the tenant or, as the case may be, each of the joint tenants is an individual;
- (v) the tenant or, as the case may be, at least one of the joint tenants occupies the dwelling-house as their only or principal home; and
- (vi) if granted before 1 April 1990:
  - (a) the property had a rateable value at 31 March 1990 lower than £1,500 in Greater London or £750 elsewhere; and
  - (b) the rent payable for the time being is greater than two thirds of the rateable value at 31 March 1990;

- (vii) if granted on or after 1 April 1990 the rent payable for the time being is between £251 and £100,000 inclusive (or between £1,001 and £100,000 inclusive in Greater London).

There is no maximum term for an AT and therefore any lease can constitute an AT if it satisfies the relevant criteria.

Since 28 February 1997 all ATs will automatically be ASTs (unless the landlord serves notice to the contrary) which gives landlords the right to recover the property at the end of the term of the tenancy. The HA 1988 also entitles a landlord to obtain an order for possession and terminate an AT/AST during its fixed term on proving one of the grounds for possession specified in section 7(6) of the HA 1988. The ground for possession of most concern in relation to long leaseholds is Ground 8 – namely that if the rent is payable yearly (as most ground rents are), at least three months' rent is more than three months in arrears both at the date of service of the landlord's notice and the date of the hearing.

Most leases give the landlord a right to forfeit the lease if rent is unpaid for a certain period of time but the courts normally have power to grant relief, cancelling the forfeiture as long as the arrears are paid off. There are also statutory protections in place to protect long leaseholders from unjustified forfeiture action. However, an action for possession under Ground 8 is not the same as a forfeiture action and the court's power to grant relief does not apply to Ground 8. In order to obtain possession, the landlord will have to follow the notice procedure in section 8 of the HA 1988 and, if the tenant does not leave on expiry of the notice, apply for a court order. However, as ground 8 is a mandatory ground, the court will have no discretion and will be obliged to grant the order if the relevant conditions are satisfied. There is government consultation underway to review residential leasehold law generally and it is anticipated that this issue will be addressed as part of any resulting reforms.

In Scotland, the corresponding provisions of the Housing (Scotland) Act 1988 that govern assured tenancies and short assured tenancies (being broadly the Scottish equivalent of an AT and an AST in England and Wales) do not apply to long leases in respect of residential property in Scotland that are capable of being registered in the Registers of Scotland and secured by a standard security.

The AT and AST do not form part of the laws of Northern Ireland. Equivalent provisions relating to Protected Tenancies and Statutory Tenancies in Northern Ireland are contained in the Rent (Northern Ireland) Order 1978 as amended.

### **Unfair Relationships**

Under the Consumer Credit Act 2006 (the "**CCA 2006**"), the earlier "extortionate credit" regime under the CCA 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 originator, or any assignee (such as the LLP), to repay amounts received from such borrower. In applying the "unfair relationship" test, the courts are able to consider a wider range of circumstances surrounding the transaction, including the creditor's conduct (or anyone acting on behalf of the creditor) before and after making the agreement or in relation to any related agreement. There is no statutory definition of the word "unfair" in the CCA as the intention is for the test to be flexible and subject to judicial discretion and it is therefore difficult to predict whether a court would find a relationship "unfair". However, the word "unfair" is not an unfamiliar term in U.K. legislation due to the UTCCR and the CRA (each as defined below). The courts may, but are not obliged to, look solely to the CCA for guidance. The principle of "treating customers fairly" under the FSMA, and guidance published by the PRA and the FCA (and, prior to 1 April 2013, the FSA) 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, the burden of proof is on the creditor to prove the contrary.

*Plevin v Paragon* [2014] UKSC 61, a Supreme Court judgment, has clarified that compliance with the relevant regulatory rules by the creditor (or a person acting on behalf of the creditor) does not preclude a finding of unfairness, as a wider range of considerations may be relevant to the fairness of the relationship than those which would be relevant to the application of the rules. Where add on products such as insurance are sold and are subject to a significant commissions payment, it is possible that the non-disclosure or commission by the lender is a factor that could form part of a finding of unfair relationship.

## **Mortgages and coronavirus: FCA guidance for firms**

On 20 March 2020, the FCA published guidance for, *inter alia*, mortgage lenders and administrators entitled '*Mortgages and coronavirus: our guidance for firms*', in connection with the ongoing outbreak of COVID-19 in the UK. This guidance was updated on 4 June 2020, on 16 June 2020 and again on 17 November 2020, such update coming into effect on 20 November 2020 (the "**FCA Payment Deferral Guidance**"). Amongst other things, this guidance provides that mortgage lenders are required, where an eligible borrower is experiencing or reasonably expects to experience payment difficulties as a result of circumstances relating to COVID-19, and wishes to receive a payment deferral, to grant a borrower a payment deferral unless the mortgage lender agrees with the borrower a different option that the lender reasonably considers to be in the best interests of the borrower. A request for a full or partial payment deferral for three monthly payments may be made by a borrower at any time until 31 March 2021 in respect of payments up to and including 31 July 2021. The FCA Payment Deferral Guidance provides that (i) borrowers who have not yet had a payment deferral will be eligible for payment deferrals of 6 months in total (ii) those borrowers who currently have a payment deferral will be eligible to top up to 6 months in total (iii) those borrowers who have previously had payment deferrals of less than 6 months will be able to top up, as long as total deferrals do not exceed 6 months. This includes those borrowers receiving tailored support and those who are behind on payments (iv) borrowers who have already had 6 months of payment deferrals will not be eligible for a further payment deferral. Lenders should provide tailored support to those borrowers who are in financial difficulty and not eligible for a payment deferral under the FCA Payment Deferral Guidance appropriate to their circumstances. Borrowers will have until 31 March 2021 to apply for an initial or a further payment deferral. After that date, they will be able to extend existing deferrals to 31 July 2021, provided these extensions cover consecutive payments, and subject to the maximum 6 months allowed. The FCA advise that borrowers who have not yet taken a deferral, and who think they need the full 6 months should apply in good time before their February 2021 payment is due.

Interest will continue to accrue on the sum temporarily unpaid as the result of a payment deferral, however no fee or charge may be levied in connection with the grant of a payment deferral. Any missed payments arising under such payment deferrals will not constitute arrears and will not be reported as such to Covered Bondholders (for the avoidance of doubt, except in relation to Loans that were in arrears when the payment deferral was granted, for which the arrears accrued before the start of the payment deferral period will continue to be reported as arrears, but the missed payments during the payment deferral period will not be treated as an increase in arrears).

On 16 September 2020, additional guidance for firms entitled: "*Mortgages and coronavirus: additional guidance for firms*" came into force (the "**Tailored Support Guidance**") to supplement the FCA Payment Deferral Guidance. The Tailored Support Guidance was updated on 17 November 2020, such update coming into effect on 20 November 2020 and again on 27 January 2021, such update coming into effect on 29 January 2021. Section 7 of the Tailored Support Guidance was updated on 25 March 2021 and such update came into effect from 29 March 2021 to address repossessions from 1 April 2021. The Tailored Support Guidance applies to firms dealing with borrowers facing payment difficulties due to circumstances related to coronavirus who are not receiving payment deferrals under the FCA Payment Deferral Guidance, including where they are not or are no longer eligible for payment deferral. The Tailored Support Guidance is designed to enable firms to continue to deliver short and long-term support to borrowers affected by the evolving COVID-19 pandemic and the Government's response to it. It is intended to support firms to treat borrowers affected by coronavirus fairly and to help borrowers to bridge the crisis to get back to a more stable financial position. If the borrower indicates that they continue or reasonably expect to continue, to face payment difficulties after receiving payment deferrals under the FCA Payment Deferral Guidance, then the Tailored Support Guidance applies and unless the borrower objects, the lender may capitalise the deferred amounts.

The Tailored Support Guidance provides that at the end of the payment deferral period, no payment shortfall for the purposes of MCOB 13 will arise, where the accrued amounts are repaid (this includes where sums are capitalised or repaid in a lump sum) before the next payment is due. In all other cases, mortgage lenders should regard those accrued amounts as a payment shortfall under MCOB 13 once the next payment falls due.

The FCA expects mortgage lenders to be flexible and employ a full range of short and long-term forbearance options to support their borrowers and minimise avoidable financial distress and anxiety experienced by customers in financial difficulty as a result of coronavirus. This may include short term arrangements under which the lender permits the customer to make no or reduced payments for a specified

period. However it should be noted that where after the end of a payment deferral period under the FCA Payment Deferral Guidance, a mortgage lender agrees to the customer making no or reduced payments for a further period (without changing the sums due under the contract) this will cause a payment shortfall that will be subject to MCOB 13.

The Tailored Support Guidance provides that firms should be mindful that for some second charge mortgages there is a particular risk of harm from the total debt escalating significantly when a customer defers payments or enters payment shortfall, particularly compared with what they would have otherwise have paid. The Tailored Support Guidance provides that in such cases it is particularly important that firms consider using a range of forbearance options, including options beyond those listed in MCOB. These could include applying simple interest rather than compound to any payment shortfall, or reducing the interest rate charged on these sums (in some cases to 0%).

In addition, the FCA's Tailored Support Guidance provides that, except in exceptional circumstances, firms should not commence or continue repossession proceedings against borrowers before 1 April 2021, irrespective of the stage that repossession proceedings have reached and of any step taken in pursuit of repossession. Where a possession order has already been obtained, the FCA state that, except in exceptional circumstances, firms should refrain from enforcing it. From 1 April 2021, firms may enforce repossessions provided that they act in accordance with the Tailored Support Guidance, MCOB 13 and relevant regulatory and legislative requirements.

The Tailored Support Guidance further provides in respect of deferral shortfalls (amount added to the shortfall because of any payment deferrals) that unless the borrower is unreasonably refusing to engage with the mortgage lender in relation to addressing the shortfall, a mortgage lender should not repossess the property without the borrower's consent solely because of a deferral shortfall. Further, in considering whether and when steps to repossess the property should be taken and whether all other reasonable attempts to resolve the position have failed, mortgage lenders should take into account that the shortfall arose by agreement with the mortgage lender and in exceptional circumstances and the borrower was not expected to address the shortfall during the payment deferral period and so may have had less time to address it.

The FCA makes clear in the FCA Payment Deferral Guidance and the Tailored Support Guidance that it expects lenders of both owner-occupied and buy-to-let mortgage loans to act in a manner consistent with the guidance.

## **PPI**

The FCA set a deadline of 29 August 2019 by which consumers needed to make any payment protection insurance complaints or lose their right to have them assessed by firms or the FOS (although consumers continue to be able to bring claims in court) however, it is still possible to make a claim in court after this date. There is still a possibility that such deadline could be challenged in court or be subject to judicial review.

A consumer may be able to also still submit a complaint if they were sold the PPI policy after 29 August 2017, the complaint is about a claim being turned down by an insurer or the consumer can clearly show that there were exceptional circumstances that prevented them from making a complaint by the deadline.

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

In the United Kingdom, the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the "**1999 Regulations**"), and (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994 (together with the 1999 Regulations, the "**UTCCR**"), apply to business-to-consumer agreements made on or after 1 July 1995 and before 1 October 2015, where the terms have not been individually negotiated (and the "consumer" for these purposes falls within the definition provided in the UTCCR). The Consumer Rights Act 2015 (the "**CRA**") has revoked the UTCCR in respect of contracts made on or after 1 October 2015 and is discussed in greater detail below. In respect of contracts that (a) were entered into on or after 1 October 2015; or (b) were, since 1 October 2015, subject to a material variation such that they are treated as new contracts falling within the scope of the CRA, the CRA applies. The CRA is also applicable on or after 1 October 2015, to notices of variation, such as variation of interest rate under contracts.

- (i) UTCCR

The UTCCR provides that a consumer (which would include a borrower under all or almost all of the Loans) may challenge a term in an agreement on the basis that it is "unfair" under the UTCCR 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).

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 under a loan, 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 seller is permitted to do) were found to be unfair, the borrower would not be liable to pay interest at the increased rate or, to the extent that the borrower has paid it, would be able, as against the lender, or any assignee (such as the LLP), to claim repayment of the extra interest amounts paid or to set off the amount of the claim against the amount owing by the borrower under the loan or any other loan that the borrower has taken with the lender (or exercise analogous rights in Scotland).

(ii) CRA

The main provisions of the CRA came into force on 1 October 2015. The CRA reforms and consolidates consumer law in the U.K. The CRA involves the creation of a single regime out of the Unfair Contract Terms Act 1977 (which essentially deals with attempts to limit liability for breach of contract) and the UTCCR for contracts entered into on or after 1 October 2015. The CRA has revoked the UTCCR in respect of contracts made on or after 1 October 2015 and introduced a new regime for dealing with unfair contractual terms as follows:

Under Part 2 of the CRA, an unfair term of a consumer contract (a contract between a trader and a consumer) is not binding on a consumer (an individual acting for purposes that are wholly or mainly outside that individual's trade, business, craft or profession). Additionally, an unfair notice is not binding on a consumer, although a consumer may rely on the term or notice if the consumer chooses to do so. A term will be unfair where, contrary to the requirement of good faith, it causes significant imbalance in the parties' rights and obligations under the contract to the detriment of the consumer. In determining whether a term is fair it is necessary to: (i) take into account the nature of the subject matter of the contract; (ii) refer to all the circumstances existing when the term was agreed; and (iii) refer to all of the other terms of the contract or any other contract on which it depends.

Schedule 2 of the CRA contains an indicative and non-exhaustive "grey list" of terms of consumer contracts that may be regarded as unfair. Notably, paragraph 11 of Schedule 2 lists "a term which has the object or effect of enabling the trader to alter the terms of the contract unilaterally without a valid reason which is specified in the contract", although paragraph 22 of Schedule 2 provides that this does not include a term by which a supplier of financial services reserves the right to alter the rate of interest payable by or due to the consumer, or the amount of other charges for financial services without notice where there is a valid reason if the supplier is required to inform the consumer of the alteration at the earliest opportunity and the consumer is free to dissolve the contract immediately.

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

Where a term of a consumer contract is "unfair" it will not bind the consumer. However, the remainder of the contract, will, so far as is practicable, continue to have effect in every other respect. Where a term in a consumer contract is susceptible to 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.

(iii) Regulatory developments

In July 2019, the FCA and the Competition and Markets Authority (the "CMA") entered into a memorandum of understanding in relation to consumer protection (the "MoU") which replaced the original memorandum of understanding entered into between the FCA and the CMA on 12 January 2016. The MoU states that the CMA may consider fairness, but will not usually expect to do so, where the firm concerned is an authorised firm or an appointed representative under FSMA. Further, the MoU states that the FCA will consider fairness within the meaning of the CRA and the UTCCR, of standard terms and, within the meaning of the CRA, of negotiated terms, in financial services and claims management contracts issued by authorised firms or appointed representatives, and within the meaning of the Consumer Protection from Unfair Trading Regulations 2008 (the "CPR") of commercial practices in financial services and claims management services of an authorised firm or appointed representative. The FCA's consideration of fairness under the CRA, UTCCR and CPR will include contracts for mortgages and the selling of mortgages.

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).

In July 2012, the Law Commission and the Scottish 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 and the Scottish 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 repeated the recommendation from the 2005 Report on Unfair Terms in Contracts that the Unfair Contract Terms Act 1977 and the relevant legislation 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 which are indicatively unfair. The Law Commission and the Scottish 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 CRA, which came into force in October 2015.

Historically the OFT, FSA and FCA (as appropriate) have issued guidance on the UTCCR. This has included: (i) OFT guidance on fair terms for interest variation in mortgage contracts dated February 2000; (ii) an FSA statement of good practice on fairness of terms in consumer contracts dated May 2005; (iii) an FSA statement of good practice on mortgage exit administration fees dated January 2007; and (iv) FSA finalised guidance on unfair contract terms and improving standards in consumer contracts dated January 2012.

On 2 March 2015, the FCA updated its online unfair contract terms library by removing some of its material (including the abovementioned guidance) relating to unfair contract terms. The FCA stated that such material "no longer reflects the FCA's views on unfair contract terms" and that firms should no longer rely on the content of the documents that had been removed.

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

The Unfair Contract Terms and Consumer Notices Regulatory Guide (UNFCOG in the FCA handbook) explains the FCA's policy on how it uses its 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 UTCCR and the CRA makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any loans which have been made to borrowers covered by the UTCCR or the CRA may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans.

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 FCA have stated that the finalised FCA guidance applies equally to factors that firms should consider to achieve fairness under the UTCCR.

### **Consumer Protection from Unfair Trading Regulations 2008**

On 11 May 2005, the European Parliament and the Council adopted a directive (2005/29/EC) on unfair business-to-consumer commercial practices (the "**Unfair Practices Directive**"). Generally, the Unfair Practices 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 Unfair Practices 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 has been implemented in the U.K. by the CPR, which came into force on 26 May 2008. The CPR prohibit certain practices which are deemed to be "unfair". Breach of the CPR does not (of itself) render an agreement unenforceable, but the possible liabilities for misrepresentation or breach of contract in relation to the underlying credit agreement may result in losses on amounts to which such agreements apply.

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 the term or a change in product type, and (b) automatically capitalising a payment shortfall.

The CPR did not originally provide consumers with a private act of redress. Instead, consumers had to 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. In certain circumstances, these amendments to the CPR give consumers a right to redress for misleading or aggressive commercial practices (as defined in the CPR), including a right to unwind agreements.

The Unfair Practices Directive (alongside certain other legislation) was amended by the Enforcement and Modernisation Directive (Directive (EU) 2019/261), which must be transposed by Member States by 28 November 2021. Among other things, it requires Member States to introduce fines of up to at least four per cent of the trader's annual turnover in the Member States concerned or (if turnover is not available) up to at least two million Euros for certain breaches of the Unfair Practices Directive (and certain other legislation).

## Land registration reform in Scotland

The Land Registration etc. (Scotland) Act 2012 (the "**2012 Act**") received Royal Assent on 10 July 2012 and the majority of its provisions 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 closing the General Register of Sasines by 2024.

Previously, title to a residential property that was recorded in the General Register of Sasines would usually only require to be moved to the Land Register of Scotland (a process known as 'first registration') when that property was sold or if the owner decided voluntarily to commence first registration. However, the 2012 Act sets out, in provisions which are being brought into effect in stages, additional circumstances which will trigger first registration of properties recorded in the General Register of Sasines, including (i) the recording of a standard security (which would extend to any standard security granted by the LLP in favour of the Security Trustee over Scottish Mortgages in the Portfolio recorded in the General Register of Sasines, pursuant to the terms of the Deed of Charge following a transfer to the LLP of legal title to the Scottish Loans and their Related Security pursuant to the Mortgage Sale Agreement (a "**Scottish Sasine Sub Security**")), or (ii) the recording of an assignation of a standard security (which would extend to any assignation granted by the Seller in favour of the LLP in respect of Scottish Mortgages in the Portfolio recorded in the General Register of Sasines, pursuant to the terms of the Mortgage Sale Agreement (a "**Scottish Sasine Transfer**")).

The relevant provisions of the 2012 Act relating to the recording of standard securities came into force on 1 April 2016. As of this date, the General Register of Sasines is now closed to the recording of standard securities. As a result of this, if a Scottish Sasine Sub Security is granted by the LLP this may lead to higher legal costs and a longer period being required to complete registration than would previously have been the case. Notwithstanding the provisions of the 2012 Act mentioned above, for the time being other deeds such as assignations of standard securities (including Scottish Sasine Transfers) will continue to be accepted in the General Register of Sasines indefinitely (although Registers of Scotland have reserved the right to consult further on this issue in the future).

As noted above, such events will only occur following a trigger event to perfect legal title of the loans and, given that the proportion of residential properties in Scotland which remain recorded in the General Register of Sasines continues to decline (the Registers of Scotland estimate that, in March 2017 around 62 per cent. of property titles in Scotland were registered in the Land Register of Scotland), it is likely that, in relation to the current portfolio, only a minority of the Scottish Mortgages will be recorded in the General Register of Sasines.

## Protocols on repossessions, protection of tenants in repossessions

The pre-action protocol for mortgage repossession cases in England and Wales sets out the steps that judges will expect any lender to take before starting a claim. In addition, the Mortgage Repossessions (Protection of Tenants etc) Act 2010 came into force on 1 October 2010. The Act gives courts in England and Wales the same power to postpone and suspend repossession for up to two months on application by an unauthorised tenant (i.e. a tenant in possession without the lender's consent) as generally exists on application by an authorised tenant. In addition, under the protocol the lender must consider whether to postpone the start of a possession claim where the borrower has made a genuine complaint to the FOS about the potential possession claim. The lender has to serve notice at the property before enforcing a possession order.

In addition, 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 the term, change in product type; and (b) automatically capitalising a payment shortfall.

These protocols and the Mortgage Repossessions (Protection of Tenants etc) Act 2010 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 adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee. The protocols expressly state that they do not apply to "buy to let mortgages" (although the protocols have not been updated to expressly confirm that they do not apply to CBTL mortgages).

The Coronavirus Act 2020 put measures in place in England for the period from 26 March 2020 until 30 September 2020 that provide that where landlords issued notices seeking possession, in the period from 26 March 2020 to 28 August 2020, the notice period had to be for three months. The Coronavirus Act 2020 (Residential Tenancies: Protection from Eviction) (Amendment) (England) Regulations 2020, made in exercise of powers conferred by the Coronavirus Act 2020, came into force on 29 August 2020 (the "**English Regulations**"). The English Regulations apply in England only. The English Regulations modify certain provisions of the Coronavirus Act 2020 to give tenants in England greater protection from eviction over the winter by requiring landlords to provide tenants with six months' notice in all bar those cases raising other serious issues such as, but not limited to, those involving, (in certain circumstances): anti-social behaviour (including rioting), domestic abuse, fraud and rent arrears to the value of over six months' rent. The English Regulations provide that this six month notice period will be required starting from 29 August 2020 until 31 March 2021. The Coronavirus Act 2020 (Residential Tenancies: Protection from Eviction) (Amendment) (England) Regulations 2021 came into force on 31 March 2021 and extended this period to 31 May 2021.

Further, from 27 March 2020, any possession claims in the system or about to go into the system were affected by a 90 day suspension of possession hearings and orders, such suspension of possession hearings and orders was extended until 23 August 2020 on 25 June 2020 and was extended by a further four weeks until 20 September 2020 on 21 August 2020. New CPR Practice Direction 55C ("**PD 55C**") is in force from 20 September 2020 until 30 July 2021. PD 55C sets out the steps required to reactivate stayed possession claims, as well as procedural changes applying both to existing possession claims and the issue of new claims. Different requirements apply under PD 55C depending on when the relevant possession claim was first issued.

In Wales, new regulations have been made under Schedule 29 to the Coronavirus Act 2020, that temporarily extend the minimum notice periods landlords must give to tenants with certain residential tenancies including assured and assured shorthold tenancies. A six month notice period applied to notices issued between 24 July 2020 and 28 September 2020 under section 8 of the Housing Act 1988, except those that specified grounds 7A or 14 (relating to anti-social behaviour). A three month notice period continued to apply to notices that specified grounds 7A or 14. A six month notice period applied to notices issued on or after 24 July 2020 under section 21 of the Housing Act 1988. Schedule 29 is temporarily amended so that a landlord serving a notice on or after 24 July will be required to provide extended notice during the remainder of relevant period, which, in accordance with the Public Health (Protection From Eviction) (No.2) (Wales) (Coronavirus) Regulations 2021, currently ends on 30 June 2021.

The Coronavirus (Scotland) Act 2020 put measures in place until 30 September 2020 (now extended to 30 September 2021) to extend notice periods for evictions in Scotland to three or six months, depending on the grounds for eviction and, further, to provide that repossession cases are to be considered on a discretionary basis.

The Private Tenancies (Coronavirus Modifications) Act (Northern Ireland) 2020 had the effect of requiring landlords to give residential tenants a twelve week Notice to Quit before seeking a Court Order to evict them. This requirement was initially in place until the end of September however it has been extended until 30 September 2021.

Delays to landlords seeking possession of the Property may result in less rental income being available to meet the Borrower's repayment obligations in respect of the Loans.

Investors should note, as at the date of this Prospectus, the Tailored Support Guidance, as described in the section entitled "Mortgages and coronavirus: FCA guidance for firms" in response to the COVID-19 outbreak in the UK states that firms should not commence or continue repossession proceedings against customers before 1 April 2021. This applies irrespective of the stage that repossession proceedings have reached and to any step taken in pursuit of repossession. Where a possession order has already been obtained, firms should refrain from enforcing it. The FCA makes clear in the guidance that it expects lenders of both owner-occupied and buy-to-let mortgage loans to act in a manner consistent with these requirements.

### **Breathing Space Regulations**

The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020 (SI 2020/1311) ("**Breathing Space Regulations**") (which are due to come

into force on 4 May 2021) will give eligible individuals in England and Wales the right to legal protection from their creditors, including almost all enforcement action, during a period of "breathing space". A standard breathing space will give an individual in England and Wales with problem debt legal protection from creditor action for up to 60 days; and a mental health crisis breathing space will give an individual in England and Wales protection from creditor action for the duration of their mental health crisis treatment (which is not limited in duration) plus an additional 30 days.

However, the Breathing Space Regulations do not apply to mortgages, except for arrears which are uncapitalised at the date of the application under the Breathing Space Regulations. Interest can still be charged on the principal secured debt during the breathing space period, but not on the arrears. Any mortgage arrears incurred during any breathing space period are not protected from creditor action. The Borrower must continue to make mortgage payments in respect of any mortgage secured against their primary residence (save in respect of arrears accrued prior to the moratorium) during the breathing space period, otherwise the relevant debt adviser may cancel the breathing space period.

### **Mortgage Prisoners**

The FCA are aware that there are some borrowers who cannot switch to a more affordable mortgage product despite not being delinquent or in arrear with their mortgage payments. This category includes borrowers who cannot switch mortgage product because of changes to lending practices during and after the 2008 financial crisis and subsequent regulation that tightened lending standards – often called ‘mortgage prisoners’.

Under Policy Statement PS19/27 which came into effect on 28 October 2019, the FCA have amended their responsible lending rules and guidance to help remove potential barriers to borrowers switching to a more affordable mortgage and to reduce the time and costs of switching for all relevant borrowers. The changes will mean that mortgage lenders can choose to carry out a modified affordability assessment where a consumer has a current mortgage, is up-to-date with their mortgage payments (and has been for the last 12 months), does not want to borrow more, other than to finance any relevant product, arrangement or intermediary fee for that mortgage and is looking to switch to a new mortgage deal on their current property. Further, inactive lenders and administrators acting for unregulated entities (such as the LLP), must review their customer books and develop and implement a communication strategy for contacting relevant borrowers to tell them it could be simpler for them to remortgage. The communication exercise must be completed by 15 January 2021.

The modification of the responsible lending rules should make it easier for a borrower who is a mortgage prisoner to switch to a new lender and this, together with the proposed notification obligations, could increase redemption rates where there are a significant number of mortgage prisoners held by a lender.

There is a risk that increased redemption rates in respect of the Loans comprising the Portfolio could, in certain circumstances, adversely affect the yield to maturity of the Covered Bonds by increasing voluntary prepayment rates above those anticipated (see "Yield to maturity and the Issuer's ability to redeem the Covered Bonds on their scheduled redemption dates or their final maturity dates may be affected by the rate of prepayment on the loans").

### **Home Owner and Debtor Protection (Scotland) Act 2010**

The Scottish Parliament has enacted the Home Owner and Debtor Protection (Scotland) Act 2010 (the "**2010 Act**") Part 1 of which came into effect on 30 September 2010 and contains provisions imposing additional requirements on heritable creditors (the Scottish equivalent to mortgagees) in relation to the enforcement of standard securities over residential property in Scotland. The 2010 Act amends the Conveyancing and Feudal Reform (Scotland) Act 1970, which permitted a heritable creditor to proceed to sell the secured property where the formal notice calling up the standard security had expired without challenge (or where a challenge had been made but not upheld). In terms of the 2010 Act the heritable creditor is required to obtain a court order to exercise its power of sale, unless the borrower and any other occupiers have surrendered the property voluntarily. In addition, the 2010 Act requires the heritable creditor in applying for a court order to demonstrate that it has taken various preliminary steps to attempt to resolve the borrower's position, as well as imposing further procedural requirements.

## **Distance Marketing of Financial Services**

In the UK, the Financial Services (Distance Marketing) Regulations 2004 (the "**DM Regulations**") apply to, amongst 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).

The DM Regulations (and MCOB in respect of activities related to Regulated Mortgage Contracts) require suppliers of financial services by way of distance communication to provide certain information to consumers. This information generally has to be provided before the consumer is bound by a distance contract for the supply of the financial services in question and includes, but is not limited to, general information in respect of the supplier and the financial service, contractual terms and conditions, and whether or not there is a right of cancellation.

A regulated mortgage contract under the FSMA, if originated by a U.K. lender (who is authorised by the FCA) from an establishment in the U.K., 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 the DM 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 14th 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 DM 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 DM 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:

- 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 the notice of cancellation or, if later, the originator receiving notice of cancellation;
- 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
- any security provided in relation to the contract is to be treated as never having had effect.

## **Financial Ombudsman Service**

Under the FSMA, the FOS is required to make decisions on, among other things, complaints relating to activities and transactions under its jurisdiction on the basis of what, in the FOS's opinion, would be fair and reasonable in all circumstances of the case, taking into account, among other things, law and guidance, rather than making determinations strictly on the basis of compliance with law.

Complaints properly brought before the FOS 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 FOS. The FOS is required to make decisions on the basis of, among other things, the principles of fairness, and may order a monetary award to a complaining borrower.

## **The Renting Homes (Wales) Act 2016**

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

The Renting Homes Act (which 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.

### **Private Housing (Tenancies) (Scotland) Act 2016 and Proposals in England**

The Private Housing (Tenancies) (Scotland) Act 2016 came into force on 1 December 2017. One of the changes made by this legislation is to introduce a new form of tenancy in Scotland known as a "private residential tenancy" which is intended (except in a very limited number of exceptions) to provide tenants with security of tenure by restricting a landlord's ability to regain possession of the property to a number of specific eviction grounds.

Accordingly, a lender or security-holder may not be able to obtain vacant possession if it wishes to enforce its security unless one of the specific eviction grounds under the legislation applies. It should be noted though that one of the mandatory 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 mortgage loans secured over a Property in Scotland.

The U.K. Government announced in April 2019 plans to consult on similar legislation in relation to English property which may similarly impact buy-to-let loans secured over English property.

### **The 1 May 2020 FCA COVID-19 letter**

On 1 May 2020, the FCA published a letter to mortgage lenders and administrators managing closed mortgage books. In view of the financial challenges facing some mortgage borrowers as a result of COVID-19, the FCA are asking firms with customers who took out mortgages with higher risk characteristics before the financial crisis to review the interest rates charged to such customers as a matter of urgency. This is to ensure that, in line with the FCA Handbook requirements such as PRIN 6 and MCOB 12.5, customers on variable rates of interest are being treated fairly. The FCA states that firms should review their rates to consider whether they are consistent with the obligation to treat customers fairly in the light of the exceptional circumstances arising out of coronavirus. Firms should also ensure that they do not pose unjustifiable burdens, especially on customers who may be experiencing temporary payment difficulties or may not be able to switch to another lender. If applicable, as a result of receiving this letter the FCA expects lenders to critically review their variable rates of interest against their funding costs, contracts terms and any other factors that may apply and take any necessary action.

Whilst Santander UK plc does not regard itself as operating a closed mortgage book in respect of loans in the Portfolio, variable interest rates administered by the Servicer were reduced following Bank of England base rate cuts in March 2020 and the Servicer subsequently reviewed their variable interest rates in accordance with the FCA letter.

### **FCA Policy on mortgages: Removing barriers to intra-group switching and helping borrowers with maturing interest- only and part-and-part mortgages**

In October 2020, the FCA published the policy statement PS20/11 entitled 'Mortgages: Removing barriers to intra-group switching and helping borrowers with maturing interest-only and part-and-part mortgages'. This policy statement contains guidance which applies to mortgage lenders and mortgage administrators in relation to the exceptional circumstances arising out of Covid-19 and its impact on the financial situation of borrowers with interest-only and part-and-part mortgages (the "**October Guidance**"). The October Guidance came into force on 31 October 2020 (and was updated on 17 November 2020) and expires on 31 October 2021 and applies in respect of interest-only and part-and-part mortgages with maturity dates between 20 March 2020 and 31 October 2021 where the capital repayment is still outstanding. The October Guidance only applies to Regulated Mortgage Contracts (but does not apply to bridging loans). The October Guidance provides that where a borrower has a relevant mortgage and is up-to-date with their mortgage payments (which includes borrowers which have made use of a payment deferral granted under the FCA Payment Deferral Guidance both before and after the relevant loan's maturity date), firms should allow that borrower the flexibility to choose to delay the repayment of any capital on their mortgage until no later than 31 October 2021 provided the borrower continues to make interest payments. Firms are not to charge any additional fees as a condition of offering a delay to the capital repayment and interest may continue to be

charged at the rate charged pre-maturity, at the rate charged at maturity, or lower, in accordance with the relevant contractual terms (and where the rate is the standard variable rate, payments may be varied in accordance with changes to this rate). If the customer fails to make interest payments after agreeing a delay to the capital repayment (except in accordance with a payment deferral agreed under the FCA Payment Deferral Guidance), the October Guidance will no longer apply.

The FCA expect lenders and administrators to begin telling eligible borrowers about the option to delay capital repayment promptly and firms should make the risk of delaying capital repayment clear to borrowers, for example that property prices may drop between now and 31 October 2021. To take advantage of the October Guidance the borrower will have to make an active choice to delay the repayment and borrowers could still choose to proceed with repayment.

As at 28 February 2021 there were 2,741 Loans (£83,179,156.31) with a maturity date between 20 March 2020 and 31 October 2021. 807 of those (£78,861,660.91) are interest only Loans.

### **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, regulators such as the CMA, the PRA and the FCA (and their predecessors for example the OFT) 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 these local bodies have intervened directly, including the sale of card and identity protection policies, interest rate hedging products, payment protection insurance, personal pensions and mortgage-related endowments.

No assurance can be given that additional regulatory changes by the CMA, the FCA, the Ombudsman or any other regulatory authority will not arise with regard to the mortgage market in the United Kingdom generally or specifically in relation to the Servicer or the Seller.

## THE PORTFOLIO

The Initial Portfolio and each New Portfolio acquired by the LLP (the "**Portfolio**") consist of Loans and their Related Security sold by the Seller to the LLP from time to time, in accordance with the terms of the Mortgage Sale Agreement, as more fully described under "*Summary of the Principal Documents – Mortgage Sale Agreement*".

For the purposes hereof:

"**Initial Portfolio**" means the portfolio of Loans and their Related Security, particulars of which are set out in the Mortgage Sale Agreement (other than any Loan and its Related Security redeemed in full on or before the First Assignment Date), and all rights, title, interest and benefit of the Seller in and to:

- (a) all payments of principal and interest (including, for the avoidance of doubt, all Accrued Interest, Arrears of Interest, Capitalised Interest, Capitalised Expenses and Capitalised Arrears) and other sums due or to become due in respect of such Loans and Related Security including, without limitation, the right to demand, sue for, recover and give receipts for all principal monies, interest and costs and the right to sue on all covenants and any undertakings made or expressed to be made in favour of the Seller under the applicable Mortgage Terms;
- (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 the Seller in relation thereto subject to and in accordance with the applicable Mortgage Terms;
- (d) all the estate and interest in the relevant Properties vested in the Seller;
- (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 the Seller against any solicitor, licensed conveyancer, qualified conveyancer, valuer or other person in connection with any report, valuation, opinion, certificate or other statement of fact or opinion given in connection with such Loans and Related Security, or any part thereof or affecting the decision of the Seller to make or offer to make any such Loan or part thereof; and
- (f) the proceeds of all claims made by or on behalf of the Seller or to which the Seller is entitled under the Buildings Policies in relation to any such Loan.

"**New Portfolio**" means each portfolio of Loans and their Related Security (other than any Loans and their Related Security which have been redeemed in full prior to the relevant Assignment Date or which do not otherwise comply with the terms of the Mortgage Sale Agreement as at the relevant Assignment 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 all rights, title, interest and benefit of the Seller in and to the rights and assets set out in paragraphs (a) to (f) above.

See also the risk factors under "*Risk Factors – Risks Relating to the Cover Pool – Limited description of the Portfolio*", "*Risk Factors – Risks Relating to the Cover Pool – Changes to the Lending Criteria of the Seller*".

The Issuer provides monthly Investor Reports containing information on the Portfolio, see "*General Information – Post-issuance information*".



## DESCRIPTION OF THE U.K. REGULATED COVERED BOND REGIME

The Regulated Covered Bonds Regulations 2008 (SI 2008/346) as amended by the Regulated Covered Bonds (Amendments) 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**") and the corresponding implementation provisions, set out in the Regulated Covered Bonds Sourcebook to the FCA's Handbook (the "**RCB Sourcebook**"), came into force in the U.K. on 6 March 2008. In summary, the RCB Regulations implement a legislative framework for U.K. 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**"). For further information on the new covered bond directive which replaces Article 52(4) of the UCITS and the regulatory treatment of the Covered Bonds, see the risk factor "*Harmonisation of the EU Covered Bond framework*".

The RCB Regulations and the RCB Sourcebook include various requirements related to issuers, asset pool owners, pool assets and the contractual arrangements made in respect of such assets. In this regard, issuers and owners have various initial and ongoing obligations under the RCB Regulations and the RCB Sourcebook and are responsible for ensuring they comply with them. In particular, issuers are required to (amongst other things) enter into arrangements with the owner for the maintenance and administration of the asset pool such that certain asset record-keeping obligations and asset capability and quality related requirements are met and notify the FCA of various matters (including any regulated covered bonds it issues, the assets in the asset pool, matters related to its compliance with certain regulations and any proposed material changes). Owners are required to (amongst other things) notify the FCA of various matters (including any proposed transfer of ownership of the asset pool) and, on insolvency of the issuer, make arrangements for the maintenance and administration of the asset pool (similar to the issuer obligations described above).

From 1 January 2013, in accordance with the Regulated Covered Bonds (Amendment) Regulations 2011 (SI 2011/2859) and the Regulated Covered Bonds (Amendment) Regulations 2012 (SI 2012/2977) (the "**Amendment Regulations**"):

- *Designation of asset pool as composed of a single class of eligible assets or a mixture of eligible asset classes* – the Issuer is required to designate its 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, including liquid assets) or a mixed asset pool (consisting of all eligible property for the purposes of the RCB Regulations). The Issuer elected on 11 December 2012, that the Programme would be a single asset programme, consisting of class two assets. Consequently, the Asset Pool will consist solely of residential mortgage loans and liquid assets, being U.K. 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 minimum coverage requirement for interest* – the total principal amounts outstanding on the loans constituting eligible property in the asset pool will be required to be more than the total principal amounts outstanding in relation to the regulated covered bonds by at least 8 per cent. and a minimum threshold will apply in respect of interest amounts such that the total amount of interest payable in the period of twelve months following any given date in respect of the eligible property in the asset pool will be 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 the overcollateralisation test, the Issuer can take into account certain liquid assets up to a maximum of 8 per cent. of those covered bonds that have a maturity date of more than one year and 100 per cent. of those covered bonds that have a maturity date of one year or less;
- *Regulatory and Investor reporting, including loan-level data* – the Issuer will be required to make available detailed loan level information relating to the Asset Pool. The information relating to the Asset Pool of the LLP can be found at <https://boeportal.co.uk/SantanderUK/>. The information set out in the website and the contents thereof do not form part of this Prospectus;
- *Asset pool monitor role* – the role of the asset monitor is formalised. The Amendment Regulations provide that asset pool monitors will be required, on an annual basis, to inspect and assess the

Issuer's compliance with certain principles based requirements under the regime and to report on their findings to the FCA (with additional reporting requirements in the case of issuer non-compliance). Each issuer is required to appoint an asset pool monitor in advance of their annual attestation falling on or after 1 January 2013. With respect to the Issuer, the Issuer has appointed Deloitte LLP as asset pool monitor for the purposes of the RCB Regulations on 24 December 2012; and

- *Exclusion of securitisation as eligible assets* – the Issuer confirms that the Asset Pool does not comprise asset backed securities.

The FCA performs certain supervision and enforcement related tasks in respect of the new regime, including admitting issuers and covered bonds to the relevant registers and monitoring compliance with ongoing requirements. To assist it with these tasks, the FCA has certain powers under the RCB Regulations. In particular, in certain circumstances the FCA may direct the winding-up of an owner, remove an issuer from the register of issuers and/or impose a financial penalty of such amount as it considers appropriate in respect of an issuer or owner. Moreover, as the body which regulates the financial services industry in the U.K., the FCA may take certain actions in respect of issuers using its general powers under the U.K. regulatory regime (including restricting a seller's ability to transfer further assets to the asset pool).

On 1 June 2016, the Issuer was admitted to the register of issuers and the Programme, and the Covered Bonds issued previously under the Programme, were admitted to, and all Covered Bonds issued since that date under the Programme have been admitted to, the register of regulated covered bonds under the RCB Regulations. The Issuer shall notify the FCA for all new issuances of Covered Bonds to be admitted to the register of regulated covered bonds.

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.

This section is only a summary of the U.K. covered bond regime. Prospective purchasers of Covered Bonds should consider carefully all the information contained in this Prospectus before making any investment decision. See also "*Risk Factors – Risks Relating to Regulation of the Covered Bonds – U.K. regulated covered bond regime*" and "*Risk Factors – Legal and Regulatory Risks – Expenses of insolvency officeholders*".

## **DESCRIPTION OF LIMITED LIABILITY PARTNERSHIPS**

Since 6 April 2001 it has been possible to incorporate a limited liability partnership in England, Wales and Scotland (but not Northern Ireland) under the Limited Liability Partnerships Act 2000 (the "LLPA"). Limited liability partnerships are legal entities that provide limited liability to the members of a limited liability partnership combined with the benefits of the flexibility afforded to partnerships and the legal personality afforded to companies.

### **Corporate characteristics**

A limited liability partnership is more like a company than a partnership. A limited liability partnership is a body corporate with its own property and liabilities, separate from its members. Like shareholders in a limited company, the liability of the members of a limited liability partnership is limited to the amount of their capital because it is a separate legal entity and when the members decide to enter into a contract, they bind the limited liability partnership in the same way that directors bind a company. Members may be liable for their own negligence and other torts or delicts, like company directors, if they have assumed a personal duty of care and have acted in breach of that duty. Third parties can assume that members, like company directors, are authorised to act on behalf of the limited liability partnership.

The provisions of the Companies Act 1985 and the Insolvency Act 1986 have been modified by the Limited Liability Partnerships Regulations 2001 (as amended by the Limited Liability Partnerships (Amendment) Regulations 2005) so as to apply most of the insolvency and winding-up procedures for companies equally to a limited liability partnership and its members. As a distinct legal entity a limited liability partnership can grant fixed and floating security over its assets and a limited liability partnership will survive the insolvency of any of its members. An administrator or liquidator of an insolvent member would be subject to the terms of the members' agreement relating to the limited liability partnership but a liquidator of an insolvent member may not take part in the administration of the limited liability partnership or its business.

Limited liability partnerships must file annual returns and audited annual accounts at Companies House for each financial year in the same way as companies.

### **Partnership characteristics**

A limited liability partnership retains certain characteristics of a partnership. It has no share capital and there are no capital maintenance requirements. The members are free to agree how to share profits, who is responsible for management and how decisions are made, when and how new members are appointed and the circumstances in which its members retire. The members' agreement is a private document and there is no obligation to file it at Companies House.

### **Taxation**

Limited liability partnerships are tax transparent except in the case of value added tax (in respect of which a limited liability partnership can register for VAT in its own name) and in certain winding-up proceedings. As such, the corporate members of a limited liability partnership, and not the limited liability partnership itself, are taxed in relation to the business of the limited liability partnership in broadly the same way that the members of a partnership are taxed in relation to the business of that partnership.

## BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer and the LLP believe to be reliable, but none of the Issuer, the LLP, the Bond Trustee nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the LLP nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Covered Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

### Book-entry Systems

#### DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to section 17A of the Exchange Act. DTC holds and provides asset servicing for securities that its participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerised book-entry transfers and pledges between Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has S&P's highest rating: AAA. The DTC Rules applicable to its Direct Participants or Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of DTC Covered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Covered Bonds on DTC's records. The ownership interest of each actual purchaser of each DTC Covered Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct Participant's and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Covered Bonds are to be accomplished by entries made on the books of Direct Participants or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Covered Bonds, except in the event that use of the book-entry system for the DTC Covered Bonds is discontinued.

To facilitate subsequent transfers, all DTC Covered Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other nominee as may be requested by an authorised representative of DTC. The deposit of DTC Covered Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Covered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Covered Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Covered Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to DTC Covered Bonds unless authorised by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an omnibus proxy ("**Omnibus Proxy**") to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Covered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Covered Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or the Principal Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Direct Participant or Indirect Participant and not of DTC or its nominee, the Principal Paying Agent or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorised representative of DTC) is the responsibility of the Issuer or the Principal Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

Under certain circumstances, DTC will exchange the DTC Covered Bonds for Registered Definitive Covered Bonds, which it will distribute to its Direct Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Covered Bond, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Beneficial Owner desiring to pledge DTC Covered Bonds to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Covered Bonds, will be required to withdraw its Registered Covered Bonds from DTC as described below.

#### ***Euroclear and Clearstream, Luxembourg***

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

#### **Book-entry Ownership of and Payments in respect of DTC Covered Bonds**

The Issuer may apply to DTC in order to have any Tranche of Covered Bonds represented by a Registered Global Covered Bond accepted in its book-entry settlement system. Upon the issue of any such Registered Global Covered Bond, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Covered Bond to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Covered Bond will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation

S Global Covered Bond, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Covered Bond accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

It should be noted that DTC will only process payments of principal and interest in U.S. dollars. Payments in U.S. dollars of principal and interest in respect of a Registered Global Covered Bond accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Covered Bond. In the case of any payment in a currency other than U.S. dollars in respect of a Registered Global Covered Bond accepted by DTC, payment will be made to the Exchange Agent and the Exchange Agent will (in accordance with express written instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Covered Bond in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Direct Participants or Indirect Participants to beneficial owners of Covered Bonds will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Direct Participant or Indirect Participant and not the responsibility of DTC, the Bond Trustee, the Security Trustee, the Agents or the Issuer. Payment of principal, premium, if any, and interest, if any, on Covered Bonds to DTC is the responsibility of the Issuer.

#### **Transfers of Covered Bonds Represented by Registered Global Covered Bonds**

Transfers of any interests in Covered Bonds represented by a Registered Global Covered Bond within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States may require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Covered Bonds represented by a Registered Global Covered Bond to such persons may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Covered Bonds represented by a Registered Global Covered Bond accepted by DTC to pledge such Covered Bonds to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Covered Bonds may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form. The ability of any holder of Covered Bonds represented by a Registered Global Covered Bond accepted by DTC to resell, pledge or otherwise transfer such Covered Bonds may be impaired if the proposed transferee of such Covered Bonds is not eligible to hold such Covered Bonds through a Direct Participant or Indirect Participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Covered Bonds described under "*Subscription and Sale and Transfer and Selling Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian ("**Custodian**") with whom the relevant Registered Global Covered Bonds have been deposited.

On or after the Issue Date for any Series, transfers of Covered Bonds of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Covered Bonds of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Covered Bonds will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit

of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Covered Bonds among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Bond Trustee, the Security Trustee, the Issuer, the LLP, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Covered Bonds represented by Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial interests.

## TAXATION

### United Kingdom Taxation

*The following is a summary of the Issuer's and the LLP's understanding of current U.K. tax law and published Her Majesty's Revenue & Customs ("HMRC") practice relating only to the U.K. withholding tax treatment of payments of interest (as that term is understood for U.K. tax purposes) by the Issuer in respect of the Covered Bonds and payments by the LLP in respect of the Covered Bonds. It does not deal with any other U.K. taxation implications of acquiring, holding or disposing of the Covered Bonds. The U.K. tax treatment of prospective Covered Bondholders depends on their individual circumstances and may be subject to change in the future. Prospective holders of the Covered Bonds who may be subject to tax in a jurisdiction other than the U.K. or who may be unsure as to their tax position should seek their own professional advice.*

#### ***Payments of interest by the Issuer on 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 U.K. 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.

Payments of interest on the Covered Bonds may be made without deduction of or withholding on account of U.K. income 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 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 U.K. income tax whether or not the Issuer carries on a banking business in the U.K. 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 for or on account of U.K. income 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 U.K. source on account of U.K. income tax at the basic rate (currently 20%), subject to any other available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Covered Bondholder, 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 U.K. withholding tax treatment of payments by the LLP under the terms of the Covered Bond Guarantee which have a U.K. 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 U.K. withholding tax at the basic rate. If payments by the LLP are subject to any withholding or deduction for or on account of tax, the LLP will not be required to pay any additional amounts.

### U.S. Federal Income Taxation

The following is a summary of certain U.S. federal income tax considerations that may be relevant to a Covered Bondholder that is a citizen or individual resident of the United States or a U.S. corporation or that otherwise is subject to U.S. federal income taxation on a net income basis in respect of the Covered Bond (a "**U.S. holder**"). This summary is based on the Code, U.S. Treasury regulations, and administrative and



judicial interpretations thereof in effect and available as of the date of this Prospectus, all of which are subject to change possibly with retroactive effect. This summary deals only with U.S. holders that acquire Covered Bonds in an original issuance and that will hold Covered Bonds as capital assets, and it does not address tax considerations applicable to U.S. holders that may be subject to special tax rules, such as banks, tax-exempt entities, insurance companies, dealers in securities or currencies, traders in securities electing to mark to market, persons that will hold Covered Bonds as a position in a "straddle" or conversion transaction, or as part of a "synthetic security" or other integrated financial transaction, persons that hold Covered Bonds through partnerships or other pass-through entities, or persons that have a "functional currency" other than the U.S. dollar. This summary also does not address the alternative minimum tax, the Medicare tax on net investment income or special timing rules prescribed under section 451(b) of the Code. Moreover, the summary does not address Covered Bonds with a term of over 30 years.

This summary applies only to holders of Registered Covered Bonds. Bearer Covered Bonds are not being offered to U.S. holders. A U.S. holder who owns a Bearer Covered Bond may be subject to limitations under U.S. federal income tax laws, including the limitations provided in sections 165(j) and 1287 of the Code.

Special U.S. federal income tax considerations relevant to a particular issue of Covered Bonds may be provided in a supplemental prospectus. This summary addresses only Covered Bonds that will be treated as non-contingent debt for U.S. federal income tax purposes.

Investors should consult their tax advisors to determine the tax consequences to them of acquiring, owning and disposing of Covered Bonds, including the application to their particular situation of the U.S. federal income tax considerations discussed below, as well as the application of state, local, non-U.S. or other tax laws.

#### ***Payments of Interest***

Payments of "qualified stated interest" (as defined below under "*Original Issue Discount*") on a Covered Bond will be taxable to a U.S. holder as ordinary interest income at the time that such payments are accrued or are received (in accordance with the U.S. holder's method of tax accounting).

If such payments of interest are made with respect to a Covered Bond denominated in a currency other than U.S. dollars (a "**Foreign Currency Covered Bond**"), the amount of interest income realized by a U.S. holder that uses the cash method of tax accounting will be the U.S. dollar value of the foreign currency payment based on the exchange rate in effect on the date of receipt, regardless of whether the payment in fact is converted into U.S. dollars on such date. An accrual method holder will accrue interest income on the Foreign Currency Covered Bond in the relevant foreign currency and translate the amount accrued into U.S. dollars based on the average exchange rate in effect during the interest accrual period (or portion thereof within the U.S. holder's taxable year), or, at the accrual method holder's election, at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt (if such date is within five business days of the last day of the accrual period). An accrual method holder that makes such election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the U.S. Internal Revenue Service (the "**IRS**"). An accrual method holder will recognize foreign currency gain or loss, as the case may be, on the receipt of an interest payment made with respect to a Foreign Currency Covered Bond if the exchange rate in effect on the date the payment is received differs from the rate applicable to a previous accrual of that interest income. Any such foreign currency gain or loss will be treated as ordinary income or loss but generally will not be treated as an adjustment to interest income received on the Foreign Currency Covered Bond.

#### ***Purchase and Sale or Other Dispositions of Covered Bonds***

A U.S. holder's tax basis in a Covered Bond generally will equal the cost of such Covered Bond to such holder, increased by any amounts includible in income by the holder as original issue discount ("**OID**") and market discount, and reduced by any amortised premium (each as described below) and any payments other than payments of qualified stated interest made on such Covered Bond. In the case of a Foreign Currency Covered Bond, the cost to a U.S. holder will be the U.S. dollar value of the foreign currency purchase price on the date of purchase. In the case of a Foreign Currency Covered Bond that is traded on an established securities market, a cash-basis U.S. holder (and, if it so elects, an accrual method holder) will determine the U.S. dollar value of the cost of such Foreign Currency Covered Bond by translating the amount paid at

the spot rate of exchange on the settlement date of the purchase. The amount of any subsequent adjustments to a U.S. holder's tax basis in a Foreign Currency Covered Bond in respect of OID, market discount and premium denominated in the relevant foreign currency will be determined in the manner described under "*Original Issue Discount*" and "*Premium and Market Discount*" below. The conversion of U.S. dollars to the relevant foreign currency and the immediate use of such currency to purchase a Foreign Currency Covered Bond generally will not result in taxable gain or loss for a U.S. holder.

Upon the sale or other disposition of a Covered Bond, a U.S. holder generally will recognise gain or loss equal to the difference between the amount realised on the sale or other disposition (less any accrued qualified stated interest, which will be taxable as such) and the U.S. holder's tax basis in such Covered Bond. If a U.S. holder receives a currency other than the U.S. dollar in respect of the sale or other disposition of a Covered Bond, the amount realised will be the U.S. dollar value of the foreign currency received, calculated at the exchange rate in effect on the date the Covered Bond is sold or disposed of. In the case of a Foreign Currency Covered Bond that is traded on an established securities market, a cash-basis U.S. holder and, if it so elects, an accrual method holder will determine the U.S. dollar value of the amount realised by translating such amount at the spot rate on the settlement date of the sale. This election available to accrual method holders in respect of the purchase and sale of Foreign Currency Covered Bonds traded on an established securities market, discussed above, must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Except as discussed below with respect to market discount, Short-Term Covered Bonds (as defined below) and foreign currency gain or loss, gain or loss recognised by a U.S. holder generally will be long-term capital gain or loss if the U.S. holder has held the Covered Bond for more than one year at the time of disposition. Long-term capital gains recognised by an individual U.S. holder generally are subject to tax at a lower rate than short-term capital gains or ordinary income. The ability of U.S. holders to offset capital losses against ordinary income is limited.

Gain or loss recognised by a U.S. holder on the sale or other disposition of a Foreign Currency Covered Bond generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in exchange rates during the period in which the holder held such Foreign Currency Covered Bond. Such foreign currency gain or loss will not be treated as an adjustment to interest income received on the Foreign Currency Covered Bond.

#### ***Write-down by the Relevant U.K. Resolution Authority on the Exercise of a U.K. Bail-in Power***

As discussed above in the risk factor entitled "*The Santander UK Group may become subject to the provisions of the Banking Act, including bail-in and write down powers*", the relevant U.K. resolution authority may take certain actions in respect of the Covered Bonds, including the write-down and cancellation of some or all of the principal and/or accrued interest on the Covered Bonds. No statutory, judicial or administrative authority directly addresses the U.S. federal income tax treatment of such a write-down, including whether a U.S. holder would be entitled to a deduction for loss at the time it occurs. U.S. holders may, for example, be required to wait to take a deduction until there is an actual or deemed sale, exchange or other taxable disposition of the remaining Covered Bonds for which recognition of losses is permitted under the Code. U.S. holders should consult their tax advisers regarding the tax consequences to them of a write-down of their Covered Bonds by the relevant U.K. resolution authority.

#### ***Original Issue Discount***

If the Issuer issues Covered Bonds at a discount from their stated redemption price at maturity, and such discount is equal to or greater than the product of one-fourth of one per cent. (0.25 per cent.) of the stated redemption price at maturity of the Covered Bonds and the number of full years to their maturity, the Covered Bonds will be "**Original Issue Discount Covered Bonds**". The difference between the issue price and the stated redemption price at maturity of the Covered Bonds will be the OID. The "**issue price**" of the Covered Bonds will be the first price at which a substantial amount of the Covered Bonds are sold to the public (that is excluding sales of Covered Bonds to bond houses, brokers or similar persons acting in the capacity of underwriters, placement agents or wholesalers). The "**stated redemption price at maturity**" will include all payments under the Covered Bonds other than payments of qualified stated interest (as defined below).

U.S. holders of Original Issue Discount Covered Bonds generally will be subject to the special tax accounting rules for obligations issued with OID provided by the Code and certain U.S. Treasury

regulations promulgated thereunder (the "**OID Regulations**"). U.S. holders of such Original Issue Discount Covered Bonds should be aware that, as described in greater detail below, they generally must include OID in ordinary gross income for U.S. federal income tax purposes as it accrues, in advance of the receipt of cash attributable to that income.

In general, each U.S. holder of an Original Issue Discount Covered Bond, whether such holder uses the cash or the accrual method of tax accounting, will be required to include in ordinary gross income the sum of the "**daily portions**" of OID on the Original Issue Discount Covered Bond for all days during the taxable year that the U.S. holder owns such Covered Bond. The daily portions of OID on an Original Issue Discount Covered Bond are determined by allocating to each day in any accrual period a rateable portion of the OID allocable to that accrual period. Accrual periods may be any length and may vary in length over the term of an Original Issue Discount Covered Bond, **provided that** no accrual period is longer than one year and each scheduled payment of principal or interest occurs on either the final day or the first day of an accrual period. In the case of an initial holder, the amount of OID on an Original Issue Discount Covered Bond allocable to each accrual period is determined by (a) multiplying the "adjusted issue price" (as defined below) of the Original Issue Discount Covered Bond at the beginning of the accrual period by the "yield to maturity" of such Original Issue Discount Covered Bond (appropriately adjusted to reflect the length of the accrual period) and (b) subtracting from that product the amount (if any) of qualified stated interest (as defined below) allocable to that accrual period. The "**yield to maturity**" of a Covered Bond is the discount rate that causes the present value of all payments on the Original Issue Discount Covered Bond as of its original issue date to equal the issue price of such Covered Bond. The "**adjusted issue price**" of an Original Issue Discount Covered Bond at the beginning of any accrual period will generally be the sum of its issue price (generally including accrued interest, if any) and the amount of OID allocable to all prior accrual periods, reduced by the amount of all payments other than payments of qualified stated interest (if any) made with respect to such Covered Bond in all prior accrual periods. The term "**qualified stated interest**" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually during the entire term of an Original Issue Discount Covered Bond at a single fixed rate of interest or, subject to certain conditions, based on one or more interest indices.

In the case of an Original Issue Discount Covered Bond that is a Floating Rate Covered Bond, both the yield to maturity and qualified stated interest will generally be determined for these purposes as though the Original Issue Discount Covered Bond will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to the interest payments on the Covered Bond on its date of issue or, in the case of certain Floating Rate Covered Bonds, the rate that reflects the yield that is reasonably expected for the Covered Bond. (Additional rules may apply if interest on a Floating Rate Covered Bond is based on more than one interest index.) As a result of this "constant yield" method of including OID in income, the amounts includible in income by a U.S. holder in respect of an Original Issue Discount Covered Bond denominated in U.S. dollars generally are lesser in the early years and greater in the later years than the amounts that would be includible on a straight-line basis.

A U.S. holder generally may make an irrevocable election to include in its income its entire return on a Covered Bond (*i.e.*, the excess of all remaining payments to be received on the Covered Bond, including payments of qualified stated interest, over the amount paid by such U.S. holder for such Covered Bond) under the constant-yield method described above. For Covered Bonds purchased at a premium or bearing market discount in the hands of the U.S. holder, the U.S. holder making such election will also be deemed to have made the election (discussed below in "*Premium and Market Discount*") to amortise premium or to accrue market discount in income currently on a constant-yield basis.

In the case of an Original Issue Discount Covered Bond that is also a Foreign Currency Covered Bond, a U.S. holder should determine the U.S. dollar amount includible in income as OID for each accrual period by (a) calculating the amount of OID allocable to each accrual period in the relevant foreign currency using the constant-yield method described above, and (b) translating the amount of the relevant foreign currency so derived at the average exchange rate in effect during that accrual period (or portion thereof within a U.S. holder's taxable year) or, at the U.S. holder's election (as described above under "*Payments of Interest*"), at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt (if such date is within five business days of the last day of the accrual period). Because exchange rates may fluctuate, a U.S. holder of an Original Issue Discount Covered Bond that is also a Foreign Currency Covered Bond may recognise a different amount of OID income in each accrual period than would the holder of an otherwise similar Original Issue Discount Covered Bond denominated in U.S. dollars. All payments on an Original Issue Discount Covered Bond (other than payments of qualified stated

interest) will generally be viewed first as payments of previously accrued OID (to the extent thereof, with payments attributed first to the earliest-accrued OID), and then as payments of principal. Upon the receipt of an amount attributable to OID (whether in connection with a payment of an amount that is not qualified stated interest or the sale or other disposition of the Original Issue Discount Covered Bond), a U.S. holder will recognise ordinary income or loss measured by the difference between the amount received (translated into U.S. dollars at the exchange rate in effect on the date of receipt or on the date of disposition of the Original Issue Discount Covered Bond, as the case may be) and the amount accrued (using the exchange rate applicable to such previous accrual).

A subsequent U.S. holder of an Original Issue Discount Covered Bond that purchases such Covered Bond at a cost less than its remaining redemption amount (as defined below), or an initial U.S. holder that purchases an Original Issue Discount Covered Bond at a price other than such Covered Bond's issue price, also generally will be required to include in gross income the daily portions of OID, calculated as described above. However, if the U.S. holder acquires the Original Issue Discount Covered Bond at a price greater than its adjusted issue price, such holder is required to reduce its periodic inclusions of OID income to reflect the premium paid over the adjusted issue price. The "**remaining redemption amount**" for an Original Issue Discount Covered Bond is the total of all future payments to be made on such Covered Bond other than payments of qualified stated interest.

Floating Rate Covered Bonds generally will be treated as "**variable rate debt instruments**" under the OID Regulations. Accordingly, the stated interest on a Floating Rate Covered Bond generally will be treated as qualified stated interest, and such a Covered Bond will not have OID solely as a result of the fact that it provides for interest at a variable rate. If a Floating Rate Covered Bond, or a Money Market Covered Bond does not qualify as a variable rate debt instrument, such Covered Bond will be subject to special rules (the "**Contingent Payment Regulations**") that govern the tax treatment of debt obligations that provide for contingent payments ("**Contingent Debt Obligations**").

The Contingent Payment Regulations, which govern the U.S. federal tax treatment of Contingent Debt Obligations, generally require accrual of interest income on a constant-yield basis in respect of such obligations at a yield determined at the time of their issuance, and may require adjustments to such accruals when any contingent payments are made.

The Issuer will indicate in the applicable Final Terms Document whether any Covered Bonds are issued with OID or are Contingent Debt Obligations, and, if warranted, provide a detailed description of the tax considerations relevant to U.S. holders of any such Covered Bonds in the applicable Final Terms Document.

If certain of the Covered Bonds are subject to special redemption, repayment or interest rate reset features, as indicated in the applicable Final Terms Document, such Covered Bonds (particularly Original Issue Discount Covered Bonds) may be subject to special rules that differ from the general rules discussed above. Purchasers of Covered Bonds with such features should carefully examine the applicable Final Terms Document and should consult their tax advisors with respect to such Covered Bonds since the tax consequences with respect to such features, and especially with respect to OID, will depend, in part, on the particular terms of the purchased Covered Bonds.

### ***Premium and Market Discount***

A U.S. holder of a Covered Bond that purchases the Covered Bond at a cost greater than its remaining redemption amount (as defined above) will be considered to have purchased the Covered Bond at a premium, and may elect to amortise such premium (as an offset to interest income), using a constant-yield method, over the remaining term of the Covered Bond. Such election, once made, generally applies to all bonds held or subsequently acquired by the U.S. holder on or after the first taxable year to which the election applies and may not be revoked without the consent of the IRS. A U.S. holder that elects to amortise such premium must reduce its tax basis in a Covered Bond by the amount of the premium amortised during its holding period. Original Issue Discount Covered Bonds purchased at a premium will not be subject to the OID rules described above. In the case of premium in respect of a Foreign Currency Covered Bond, a U.S. holder should calculate the amortisation of such premium in the relevant foreign currency. Amortisation deductions attributable to a period reduce interest payments in respect of that period and therefore are translated into U.S. dollars at the exchange rate used by the U.S. holder for such interest payments. Exchange gain or loss will be realised with respect to amortised bond premium on such a Covered Bond based on the difference between the exchange rate on the date or dates such premium is recovered through interest payments on the Covered Bond and the exchange rate on the date on which the U.S. holder acquired

the Covered Bond. With respect to a U.S. holder that does not elect to amortise bond premium, the amount of bond premium will be included in the U.S. holder's tax basis when the Covered Bond matures or is disposed of by the U.S. holder. Therefore, a U.S. holder that does not elect to amortise such premium and that holds the Covered Bond to maturity generally will be required to treat the premium as capital loss when the Covered Bond matures.

If a U.S. holder of a Covered Bond purchases the Covered Bond at a price that is lower than its remaining redemption amount or, in the case of an Original Issue Discount Covered Bond, its adjusted issue price, by at least 0.25 per cent. of its remaining redemption amount multiplied by the number of remaining whole years to maturity, the Covered Bond will be considered to have "**market discount**" in the hands of such U.S. holder. In such case, gain realised by the U.S. holder on the disposition of the Covered Bond generally will be treated as ordinary income to the extent of the market discount that accrued on the Covered Bond while it was held by such U.S. holder. In addition, the U.S. holder could be required to defer the deduction of a portion of the interest paid on any indebtedness incurred or maintained to purchase or carry the Covered Bond. In general terms, market discount on a Covered Bond will be treated as accruing rateably over the term of such Covered Bond or, at the election of the holder, under a constant-yield method. Market discount on a Foreign Currency Covered Bond will be accrued by a U.S. holder in the relevant foreign currency. The amount includible in income by a U.S. holder in respect of such accrued market discount will be the U.S. dollar value of the amount accrued, generally calculated at the exchange rate in effect on the date that the Covered Bond is disposed of by the U.S. holder.

A U.S. holder may elect to include market discount in income on a current basis as it accrues (on either a rateable or constant-yield basis) in lieu of treating a portion of any gain realised on a sale of a Covered Bond as ordinary income. If a U.S. holder elects to include market discount on a current basis, the interest deduction deferral rule described above will not apply. Any accrued market discount on a Foreign Currency Covered Bond that is currently includible in income will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. holder's taxable year). Any such election, if made, applies to all market discount bonds acquired by the taxpayer on or after the first day of the first taxable year to which such election applies and is revocable only with the consent of the IRS.

### ***Short-Term Covered Bonds***

The rules set forth above will also generally apply to Covered Bonds having maturities of not more than one year ("**Short-Term Covered Bonds**"), but with certain modifications.

*First*, the OID Regulations treat none of the interest on a Short-Term Covered Bond as qualified stated interest. Thus, all Short-Term Covered Bonds will be Original Issue Discount Covered Bonds. OID will be treated as accruing on a Short-Term Covered Bond rateably or, at the election of a U.S. holder, under a constant-yield method.

*Second*, a U.S. holder of a Short-Term Covered Bond that uses the cash method of tax accounting, and that is not a bank, securities dealer, regulated investment company or common trust fund, and that does not identify the Short-Term Covered Bond as part of a hedging transaction, will generally not be required to include OID in income on a current basis. Such a U.S. holder may not be allowed to deduct all of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry the Short-Term Covered Bond until the maturity of such Covered Bond or its earlier disposition in a taxable transaction. In addition, such a U.S. holder will be required to treat any gain realised on a sale or other disposition of the Short-Term Covered Bond as ordinary income to the extent such gain does not exceed the OID accrued with respect to such Covered Bond during the period the U.S. holder held the Covered Bond. Notwithstanding the foregoing, a cash-basis U.S. holder of a Short-Term Covered Bond may elect to accrue OID into income on a current basis (in which case the limitation on the deductibility of interest described above will not apply). A U.S. holder using the accrual method of tax accounting and certain cash-basis U.S. holders (including banks, securities dealers, regulated investment companies and common trust funds) generally will be required to include OID on a Short-Term Covered Bond in income on a current basis.

*Third*, any U.S. holder (whether cash or accrual basis) of a Short-Term Covered Bond can elect to accrue the "acquisition discount", if any, with respect to such Covered Bond on a current basis. If such an election is made, the OID rules will not apply to the Short-Term Covered Bond. Acquisition discount is the excess of the remaining redemption amount of the Short-Term Covered Bond at the time of acquisition over the purchase price. Acquisition discount will be treated as accruing rateably or, at the election of the U.S. holder, under a constant-yield method based on daily compounding.

Finally, the market discount rules will not apply to a Short-Term Covered Bond.

### ***Information Reporting and Backup Withholding***

Information returns will be required to be filed with the IRS with respect to payments made to certain U.S. holders of Covered Bonds. In addition, certain U.S. holders may be subject to backup withholding tax in respect of such payments if they do not provide an accurate taxpayer identification number and certify that they are not subject to backup withholding or otherwise establish an exception from backup withholding.

Backup withholding tax is not an additional tax. The amount of any backup withholding from a payment to a U.S. holder will be allowed as a credit against the U.S. holder's U.S. federal income tax liability, if any, and may entitle the U.S. holder to a refund, provided that the required information is timely furnished to the IRS in the manner required.

### ***IRS Reporting Requirements***

A U.S. taxpayer that participates in a "reportable transaction" is required to disclose its participation to the IRS. Under the relevant rules, a U.S. holder may be required to treat a foreign currency exchange loss from Foreign Currency Covered Bonds as a reportable transaction if this loss exceeds the relevant threshold in the regulations (U.S.\$50,000 in a single taxable year, if the U.S. holder is an individual or trust, or higher amounts for other non-individual U.S. holders), and to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of U.S.\$10,000 in the case of a natural person and U.S.\$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules.

Certain U.S. holders that own "specified foreign financial assets" with an aggregate value in excess of U.S.\$50,000 on the last day of the taxable year or U.S.\$75,000 at any time during the taxable year are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which would include the Covered Bonds) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. holders who fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in the Covered Bonds, including the application of the rules to their particular circumstances.

### **Foreign Account Tax Compliance Act**

As a result of FATCA and related intergovernmental agreements, investors in the Covered Bonds may be required to provide information and tax documentation regarding their identities as well as that of their direct and indirect owners. It is also possible that payments on Covered Bonds that are issued or materially modified after the date that is six months after the date on which final United States Treasury regulations defining the term "foreign passthru payment" are filed with the Federal Register may be subject to a withholding tax of 30% under FATCA. The Issuer will not pay additional amounts on account of any withholding tax imposed by FATCA.

The U.K. has entered into an intergovernmental agreement with the United States relating to FATCA (the "U.S. – U.K. IGA"). Pursuant to the U.S. – U.K. IGA and applicable U.K. regulations implementing the U.S. – U.K. IGA, the Issuer may be required to comply with certain reporting requirements. Investors in the Covered Bonds may therefore be required to provide information and tax documentation regarding their identities, as well as those of their direct and indirect owners, and this information may be reported to the Commissioners for Her Majesty's Revenue & Customs ("**HMRC**") and ultimately the IRS. The Issuer intends to comply with any applicable reporting requirements pursuant to the U.S. – U.K. IGA and applicable U.K. regulations implementing the U.S. – U.K. IGA. Assuming the Covered Bonds are not materially modified after the applicable "grandfathering date," payments on the Covered Bonds will not be subject to FATCA withholding. The applicable "grandfathering date" is the date that is six months after the

date on which final United States Treasury regulations defining the term "foreign passthru payment" are filed with the Federal Register.

FATCA is particularly complex and each prospective investor should consult its own tax adviser to obtain a more detailed explanation of FATCA and to learn how it might affect such investor in its particular circumstances.

### **ERISA Considerations**

The Covered Bonds should be eligible for purchase by employee benefit plans and other plans subject to the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), and/or the provisions of section 4975 of the Code and by governmental, church and non-U.S. plans that are subject to any federal, state, local or non-U.S. law or regulation that is substantially similar to the provisions of section 406 of ERISA or section 4975 of the Code ("**Similar Law**"), subject to consideration of the issues described in this section. ERISA imposes certain requirements on employee benefit plans (as defined in section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "**ERISA Plans**") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirements of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed under "*Risk Factors*".

Section 406 of ERISA and section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, the "**Plans**")) and certain persons (referred to as "**parties in interest**" or "**disqualified persons**") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person, including a plan fiduciary, who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The Issuer, the LLP, the Bond Trustee, the Security Trustee or any other party to the transactions contemplated by the Transaction Documents may be parties in interest or disqualified persons with respect to many Plans. Prohibited transactions within the meaning of section 406 of ERISA or section 4975 of the Code may arise if any of the Covered Bonds is acquired or held by a Plan with respect to which the Issuer, the LLP, the Bond Trustee, the Security Trustee or any other party to such transactions is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of section 406 of ERISA and section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire any Covered Bonds and the circumstances under which such decision is made. Included among these exemptions are section 408(b)(17) of ERISA and section 4975(d)(20) of the Code (relating to transactions between a person that is a party in interest (other than a fiduciary or an affiliate that has or exercises discretionary authority or control or renders investment advice with respect to assets involved in the transaction) solely by reason of providing services to the plan, **provided that** there is adequate consideration for the transaction), Prohibited Transaction Class Exemption ("**PTCE**") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a "**qualified professional asset manager**"), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). Prospective investors should consult with their advisors regarding the prohibited transaction rules and these exceptions. There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving any Covered Bonds.

Governmental plans (as defined in section 3(32) of ERISA), certain church plans (as defined in section 3(33) of ERISA) and non-U.S. plans (as described in section 4(b)(4) of ERISA), while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of section 406 of ERISA and section 4975 of the Code, may nevertheless be subject to Similar Law. Fiduciaries of any such plans should consult their counsel before purchasing the Covered Bonds to determine the need for, if necessary, and the availability of, any exemptive relief under any Similar Law.

Each purchaser and subsequent transferee of any Covered Bond (or any interest therein) will be deemed by such purchase or acquisition of any such Covered Bond (or any interest therein) to have represented and warranted, on each day from the date on which the purchaser or transferee acquires such Covered Bond (or any interest therein) through and including the date on which the purchaser or transferee disposes of such Covered Bond (or any interest therein), either that (a) it is not, and is not acting on behalf of, a Plan or an entity whose underlying assets include the assets of any Plan or a governmental, church or non-U.S. plan which is subject to any Similar Law or (b) its acquisition, holding and disposition of such Covered Bond (or any interest therein) will not constitute or result in a prohibited transaction under section 406 of ERISA or section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, a violation of any Similar Law) for which an exemption is not available.

In addition, the U.S. Department of Labor has promulgated a regulation, 29 C.F.R. section 2510.3-101, as modified by section 3(42) of ERISA (the "**Plan Asset Regulation**") describing what constitutes the assets of a Plan with respect to the Plan's investment in an entity for purposes of certain provisions of ERISA, including the fiduciary responsibility provisions of Title I of ERISA, section 406 of ERISA and section 4975 of the Code. Under the Plan Asset Regulation, if a Plan invests in an "**equity interest**" of an entity that is neither a "**publicly-offered security**" nor a security issued by an investment company registered under the Investment Company Act, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless one of the exceptions to such treatment described in the Plan Asset Regulation applies. Under the Plan Asset Regulation, a security which is in form debt may be considered an "**equity interest**" if it has "**substantial equity features**". If the Issuer were deemed under the Plan Asset Regulation to hold plan assets by reason of a Plan's investment in any of the Covered Bonds, such plan assets would include an undivided interest in the assets held by the Issuer and transactions by the Issuer would be subject to the fiduciary responsibility provisions of Title I of ERISA and the prohibited transaction provisions of section 406 of ERISA and section 4975 of the Code. While there is little pertinent authority in this area and no assurance can be given, the Issuer believes that the Covered Bonds should not be treated as "**equity interests**" for the purposes of the Plan Asset Regulation.

Each Plan fiduciary who is responsible for making the investment decisions whether to purchase or commit to purchase and to hold any of the Covered Bonds should determine whether, under the documents and instruments governing the Plan, an investment in such Covered Bonds is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment portfolio. Any Plan proposing to invest in such Covered Bonds (including any governmental, church or non-U.S. plan) should consult with its counsel to confirm that such investment will not constitute or result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA and the Code (or, in the case of a governmental, church or non-U.S. plan, any Similar Law).

The sale of any Covered Bonds to a Plan is in no respect a representation by the Issuer, the LLP, the Bond Trustee, the Security Trustee or any other party to the transactions that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

Any further ERISA considerations with respect to Covered Bonds may be found in the relevant Final Terms Document.

### **Remarketing Arrangements**

Covered Bondholders holding certain Money Market Covered Bonds may have the benefit of remarketing arrangements under which a remarketing bank and a conditional purchaser (the "**Remarketing Bank**" and the "**Conditional Purchaser**", respectively) enter into agreements (the "**Remarketing Agreement**" and the "**Conditional Purchase Agreement**", respectively) under which the Remarketing Bank agrees to seek purchasers of the relevant Money Market Covered Bonds on the specified dates throughout the term of such Money Market Covered Bonds (each such date a "**Transfer Date**") and the Conditional Purchaser agrees to purchase any such Money Market Covered Bonds on the related Transfer Date if purchasers for such Money Market Covered Bonds have not been found, **provided that** certain events have not then occurred.

The Transfer Dates for any affected Covered Bonds will be specified in the relevant Final Terms Document but are likely to be on every anniversary of issue of the relevant Covered Bonds.

The circumstances in which a Conditional Purchaser is not obliged to purchase any affected Covered Bonds on a Transfer Date in circumstances where purchasers for such Covered Bonds have not been found will



likewise be specified in the Final Terms Document relating to the particular Covered Bonds and may include the occurrence of an Issuer Event of Default and may also include the occurrence of certain triggers related to the ratings of the Covered Bonds (such events being "**Conditional Purchaser Obligation Termination Events**").

If prior to any Transfer Date purchasers for any Covered Bonds have not been found, unless a Conditional Purchaser Obligation Termination Event has occurred, the Remarketing Bank will serve a notice on the Conditional Purchaser to purchase the Covered Bonds which remain unremarketed on the Transfer Date for a price per Covered Bond specified in such notice.

The rate of interest under the relevant Covered Bonds will be re-set on each Transfer Date, either at a rate determined by the Remarketing Bank or, if any Covered Bonds are to be acquired by the Conditional Purchaser, at a specified rate subject to a maximum re-set margin as specified in such Final Terms Document.

If the Conditional Purchaser has purchased all of the Covered Bonds as of any Transfer Date, the rate of interest shall cease to be re-set on future Transfer Dates and the Remarketing Bank shall cease to be under any obligation to find purchasers of such Covered Bonds on any Transfer Date following such purchase.

The appointment of the Remarketing Bank may be terminated by the Issuer if the Remarketing Bank becomes insolvent, no longer has the requisite authority or ability to act in accordance with the terms of the relevant documentation documenting the arrangements or a material breach of warranty or covenant by the Remarketing Bank occurs and is outstanding under the relevant documentation. The conditions under which the Remarketing Bank will be able to terminate its remarketing obligations will be described in the Final Terms Document.

No Remarketing Bank or Conditional Purchaser shall have any recourse to the Issuer in respect of such arrangements.

No assurance can be given that any Remarketing Bank or any Conditional Purchaser will comply with and perform their respective obligations under the remarketing documentation. Each Remarketing Bank will be required to make representations required of Dealers described in "*Subscription and Sale and Transfer and Selling Restrictions*".

## SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

Each Dealer has pursuant to a programme agreement (as the same may be amended and/or supplemented and/or restated from time to time, the "**Programme Agreement**") dated 3 June 2005 as amended and restated on or about 4 October 2007, 20 May 2008, 9 September 2010, 9 September 2011, 12 July 2013, 1 June 2016, 2 June 2017, 24 April 2018, 18 April 2019, 16 June 2020 and 30 April 2021, agreed with the Issuer and the LLP a basis upon which such Dealer may from time to time agree to purchase Covered Bonds. Any such agreement for any particular purchase by such Dealer will extend to those matters stated under "*Form of the Covered Bonds*" and "*Terms and Conditions of the Covered Bonds*". As at the date of this Prospectus, the Dealers are Banco Santander S.A, Barclays Bank PLC, BNP Paribas, Commerzbank Aktiengesellschaft, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, HSBC Bank plc, Natixis, NatWest Markets Plc, RBC Europe Limited, Société Générale, The Toronto-Dominion Bank, UBS AG London Branch and UniCredit Bank AG, but the Issuer may appoint other dealers from time to time in accordance with the Programme Agreement, which appointment may be for a specific issue or on an ongoing basis.

The Issuer may pay the Dealers commissions 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 its expenses and liabilities in connection with the establishment and any future updates of the Programme and the issue of Covered Bonds under the Programme. Each Dealer is entitled to be released and discharged from its obligations in relation to any agreement to purchase Covered Bonds under the Programme Agreement in certain circumstances prior to payment to the Issuer.

In order to facilitate the offering of any Tranche of the Covered Bonds, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Covered Bonds during and after the offering of the Tranche. Specifically, such persons may over-allot or create a short position in the Covered Bonds for their own account by selling more Covered Bonds than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Covered Bonds in the open market. In addition, such persons may stabilise or maintain the price of the Covered Bonds by bidding for or purchasing Covered Bonds in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Covered Bonds are reclaimed if Covered Bonds previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Covered Bonds at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Covered Bonds to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Under U.K. laws and regulations, stabilising activities may only be carried on by the stabilising manager named in the applicable Final Terms Document and only for a period of 30 days following the Issue Date of the relevant Tranche of Covered Bonds.

### **Transfer Restrictions**

*As a result of the following restrictions, purchasers of Covered Bonds in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Covered Bonds.*

Each purchaser of Registered Covered Bonds or person wishing to transfer an interest from one Registered Global Covered Bond to another or from global to definitive form or *vice versa* will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (a) that either: (i) it is a QIB, purchasing (or holding) the Covered Bonds for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or (ii) 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 in this section;

- (c) it agrees that neither the Issuer nor the LLP has any obligation to register the Covered Bonds or the Covered Bond Guarantee under the Securities Act;
- (d) for purchasers of Rule 144A Covered Bonds, it will not resell, pledge or otherwise transfer the Covered Bonds or any beneficial interests in the Covered Bonds except (i) in accordance with Rule 144A to a person whom the seller reasonably believes is a QIB purchasing the Covered Bonds for its own account or for the account of a QIB, (ii) outside the United States in compliance with Rule 903 or Rule 904 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;
- (e) 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 (d) above, if then applicable;
- (f) that Covered Bonds initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Covered Bonds, and that Covered Bonds initially offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Covered Bonds;
- (g) that, on each day from the date on which the purchaser or transferee acquires such Covered Bond (or any interest therein) through and including the date on which the purchaser or transferee disposes of such Covered Bond (or any interest therein), either (a) it is not, and is not acting on behalf of, a Plan or an entity whose underlying assets include the assets of any Plan or a governmental, church or non-U.S. plan which is subject to any federal, state, local or non-U.S. law or regulation that is substantially similar to the provisions of section 406 of ERISA or section 4975 of the Code or (b) its acquisition, holding and disposition of such Covered Bond (or any interest therein) will not constitute or result in a prohibited transaction under section 406 of ERISA or section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, a violation of any substantially similar federal, state, local or non-U.S. law or regulation) for which an exemption is not available;
- (h) that the Covered Bonds represented by a Rule 144A Global Covered Bond and Definitive Rule 144A Covered Bonds will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THE SECURITIES EVIDENCED HEREBY AND ANY GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION OF SECURITIES EVIDENCED HEREBY, THE HOLDER OR BENEFICIAL OWNER (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THIS SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY (THE "**AGENCY AGREEMENT**") EXCEPT (1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING THE SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (3) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER

JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THE SECURITIES EVIDENCED HEREBY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDER OF SUCH SECURITY SENT TO ITS REGISTERED ADDRESS, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THE SECURITIES TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER AND BENEFICIAL OWNERS OF THE SECURITIES EVIDENCED HEREBY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER AND BENEFICIAL OWNERS HEREOF AND ALL FUTURE HOLDERS OF THE SECURITIES EVIDENCED HEREBY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.

BY ITS PURCHASE AND HOLDING OF THE SECURITIES EVIDENCED HEREBY (OR ANY INTEREST HEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (A) IT IS NOT, AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF) (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW OR REGULATION THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW OR REGULATION) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.";

- (i) for purchasers of Regulation S Covered Bonds, that if it should resell or otherwise transfer the Covered Bonds prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the Issue Date), it will do so only (a)(i) outside the United States in compliance with Rule 903 or 904 of Regulation S under the Securities Act or (ii) to a QIB in compliance with Rule 144A and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Covered Bonds represented by a Regulation S Global Covered Bond and Definitive Regulation S Covered Bonds will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THE SECURITIES EVIDENCED HEREBY AND ANY GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR

BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY (THE "AGENCY AGREEMENT") AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. UNTIL THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING AND THE ISSUE DATE, SALES MAY NOT BE MADE IN THE UNITED STATES OR TO U.S. PERSONS UNLESS MADE (I) PURSUANT TO RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (II) TO "QUALIFIED INSTITUTIONAL BUYERS" AS DEFINED IN, AND IN TRANSACTIONS PURSUANT TO, RULE 144A UNDER THE SECURITIES ACT.

BY ITS PURCHASE AND HOLDING OF THE SECURITIES EVIDENCED HEREBY (OR ANY INTEREST HEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (A) IT IS NOT, AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF) (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW OR REGULATION THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW OR REGULATION) FOR WHICH AN EXEMPTION IS NOT AVAILABLE."; and

- (j) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Covered Bonds as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

No sale of Rule 144A Covered Bonds in the United States to any one purchaser will be for less than U.S.\$200,000 (or the approximate equivalent in another Specified Currency) principal amount and no Rule 144A Covered Bond will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$200,000 (or the approximate equivalent in another Specified Currency) principal amount of Registered Covered Bonds.

The Dealers may arrange for the resale of Covered Bonds to QIBs pursuant to Rule 144A and each such purchaser of Covered Bonds is hereby notified that any Dealer may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Covered Bonds which may be purchased by a QIB pursuant to Rule 144A is U.S.\$200,000 (or the approximate equivalent in another Specified Currency). To the extent that the Issuer is not subject to or does not comply with the reporting requirements of section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the Issuer has agreed to furnish to holders of Covered Bonds and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

## **Selling Restrictions**

### *United States*

Each Dealer has acknowledged that the Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act or the securities laws or "blue sky" laws of any state or other jurisdiction of the United States and Covered Bonds may not be offered, sold or delivered directly or indirectly within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or in transactions not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Covered Bonds in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Each Dealer has agreed that it will not offer, sell or deliver a Covered Bond in bearer form within the United States or its possessions or to United States persons except as permitted by the Programme Agreement. Terms used in this paragraph have the meanings given to them by the Code and U.S. Treasury regulations thereunder.

In connection with any Covered Bond represented by a Regulation S Global Covered Bond or any Definitive Regulation S Covered Bond ("**Regulation S Covered Bond**"), each Dealer has represented and agreed that it has not offered, sold and delivered any such Regulation S Covered Bond and will not offer, sell or deliver any such Regulation S Covered Bond within the United States or to, or for the account or benefit of, U.S. persons (a) as part of its distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Issue Date ("**Distribution Compliance Period**"), 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 dealer to which it sells any Regulation S Covered Bond during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of such Regulation S Covered Bond within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of a Tranche of Covered Bonds, an offer or sale of any Regulation S Covered Bond within the United States by any dealer (who is 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.

The Programme Agreement provides that each Dealer, through its selling agents which are registered broker-dealers in the United States, may resell Covered Bonds in the United States to QIBs pursuant to Rule 144A under the Securities Act.

Any Dealer appointed under the Programme Agreement will be required to represent and agree in respect of transactions under Rule 144A that it has not (and will not), nor has (nor will) any person acting on its behalf, (a) made offers or sales of any security, or solicited officers to buy, or otherwise negotiated in respect of, any security, under circumstances that would require the registration of the Covered Bonds under the Securities Act; or (b) engaged in any form of general solicitation or general advertising (within the meaning of Rule 502(c) under the Securities Act) in connection with any offer or sale of Covered Bonds in the United States.

### *Canada*

This Prospectus has not been filed with any securities commission or similar regulatory authority in Canada in connection with the offer and sale of the Covered Bonds. The Covered Bonds have not been, and will not be, qualified for sale under the securities laws of Canada or any province or territory thereof and no securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this Prospectus or the merits of the Covered Bonds and any representation to the contrary is an offence.

Each Dealer has represented, warranted and agreed that it has not offered, sold or distributed and will not offer, sell or distribute any Covered Bonds, directly or indirectly, in Canada or to or for the benefit of any resident of Canada, other than in compliance with applicable securities laws and, without limiting the generality of the foregoing:

- (a) any offer, sale or distribution of the Covered Bonds in Canada has and will be made only to purchasers that are (i) "accredited investors" (as such term is defined in section 1.1 of National Instrument 45-106 *Prospectus Exemptions* ("NI 45-106") or, in Ontario, as such term is defined in section 73.3(1) of the *Securities Act* (Ontario)) and "permitted clients" (as such term is defined in section 1.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*), (ii) purchasing as principal, or are deemed to be purchasing as principal in accordance with applicable Canadian securities laws, and (iii) not a person created or used solely to purchase or hold the Covered Bonds as an "accredited investor" as described in paragraph (m) of the definition of "accredited investor" in section 1.1 of NI 45-106;
- (b) it is either (i) appropriately registered under applicable Canadian securities laws in each relevant province or territory to sell and deliver the Covered Bonds, (ii) such sale and delivery will be made through an affiliate of it that is so registered if the affiliate is registered in a category that permits such sale and has agreed to make such sale and delivery in compliance with the representations, warranties and agreements set out herein, or (iii) it is relying on an exemption from the dealer registration requirements under applicable Canadian securities laws and has complied with the requirements of that exemption; and
- (c) it has not and will not distribute or deliver this Prospectus, or any other offering material in connection with any offering of the Covered Bonds, in or to a resident of Canada other than in compliance with applicable Canadian securities laws.

***Prohibition of Sales to EEA Retail Investors***

Each Dealer has represented and agreed 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 Document in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
  - (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and
- (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds.

***Prohibition of Sales to U.K. Retail Investors***

Each Dealer has represented and agreed 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 Document in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of U.K. domestic law by virtue of the EUWA; or
  - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of U.K. domestic law by virtue of the EUWA; and
- (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds.

### ***United Kingdom***

Each Dealer has represented 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 LLP or, in the case of the Issuer, would not, if it were not an authorised person, apply to the Issuer;
- (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 Covered Bonds in, from or otherwise involving the U.K.; and
- (c) in relation to Covered Bonds which have a maturity of less than one year (i) it is a person whose ordinary activities involve 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 has not, directly or indirectly, offered or sold and will not, directly and indirectly, offer or sell any Covered Bonds 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.

### ***The Republic of France***

Each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, Covered Bonds to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Prospectus, the relevant Final Terms Document or any other offering material relating to the Covered Bonds and such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*), acting for their own account, each as defined in, and in accordance with, articles L.411-1, L.411-2, and D.411-1 to D.411-3 of the French *Code monétaire et financier* but excluding individuals referred to in Article D.411-1 11 2°.

### ***The Netherlands***

Each Dealer has represented and agreed that any Covered Bonds with a maturity of less than 12 months and a denomination of less than €100,000 or its equivalent in another currency will only be offered in The Netherlands to professional market parties as defined in the Financial Supervision Act (*Wet op het financieel toezicht*) and the decrees issued pursuant thereto.

### ***Republic of Italy***

Each Dealer has represented and agreed that the offering of the Covered Bonds has not been registered pursuant to Italian securities legislation and, accordingly, no Covered Bonds may be offered, sold or delivered, nor may copies of the Prospectus or of any other document relating to the Covered Bonds be distributed in the Republic of Italy, except:

- (a) to qualified investors ("*investitori qualificati*"), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and Article 34-ter,



first paragraph, letter (b) of Commissione Nazionale per le Società e la Borsa ("**CONSOB**") Regulation No. 11971 of 14 May 1999, as amended from time to time ("**Regulation No. 11971**"); or

- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Furthermore, each Dealer has represented and agreed that any offer, sale or delivery of the Covered Bonds or distribution of copies of this Prospectus or any other document relating to the Covered Bonds in the Republic of Italy under paragraph (a) or (b) above must:

- (i) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Italian Banking Act**"); and
- (ii) comply with any other applicable laws and regulations or requirements imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Italian Banking Act, and the implementing guidelines of the Bank of Italy as amended from time to time) and/or any other Italian authority.

### ***Federal Republic of Germany***

Each Dealer has represented and agreed that it shall only offer or sell Covered Bonds in the Federal Republic of Germany in compliance with the provisions of the German Securities Asset Investment Act (*Vermögensanlagegesetz*), or any other laws applicable in the Federal Republic of Germany governing the offer and sale of securities. Each Dealer has also agreed that it shall not offer or sell the Covered Bonds in the Federal Republic in Germany in a manner which could result in the Issuer being subject to any licence requirement under the German Banking Act (*Kreditwesengesetz*).

### ***General***

Each Dealer has represented 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, any Drawdown Prospectus or any Final Terms Document 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 or the 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 or the Dealers represents that Covered Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

With regard to each Tranche, the relevant Dealer(s) will be required to comply with such other restrictions as the Issuer and the relevant Dealer(s) shall agree as a term of issue and purchase as indicated in the applicable Final Terms Document.

Each Dealer will, unless prohibited by applicable law, furnish to each person to whom they offer or sell Covered Bonds a copy of the Prospectus as then amended or supplemented or, unless delivery of the Prospectus is required by applicable law, inform each such person that a copy will be made available upon request. Each Dealer is not authorised to give any information or to make any representation not contained in the Prospectus in connection with the offer and sale of Covered Bonds to which the Prospectus relates.

This Prospectus may be used by each Dealer for offers and sales related to market-making transactions in the Covered Bonds. Each Dealer 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. Each Dealer does not have any

obligation to make a market in the Covered Bonds, and any market-making may be discontinued at any time without notice.

## GENERAL INFORMATION

### Authorisation

The continuation and operation of the Programme and the issue of Covered Bonds under the Programme was duly confirmed and authorised by resolutions of the Board of Directors of Santander UK plc dated 24 July 2017 and by resolutions of a committee of the Board of Directors approved on 4 August 2017. Pursuant to such resolutions, authority was delegated to the CEO, the CFO, a committee formed of any two directors of the Issuer or a committee formed of two persons authorised by the Board of Directors. Pursuant to such delegated authority, a committee formed of two persons authorised by the Board of Directors issued a covered bond approval and authorisation dated 28 April 2021.

The continuation of the Programme and the giving of the Covered Bond Guarantee was duly confirmed and authorised by a resolution of the LLP Management Board dated 25 April 2016.

### Listing of Covered Bonds

The admission of Covered Bonds to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Covered Bonds which is to be admitted to the Official List and to trading on the main market of the London Stock Exchange will be admitted separately as and when issued, subject only to the issue of a Temporary Global Covered Bond, a Permanent Global Covered Bond, a Regulation S Global Covered Bond or a Rule 144A Global Covered Bond, as the case may be, initially representing the Covered Bonds of such Tranche.

### Bank of England Information

In order to comply with the Bank of England's Market Notice dated 30 November 2010 in respect of its eligibility requirements for covered bonds backed by residential mortgages, the following information in respect of the programme is made available to investors, potential investors and certain other market professionals acting on their behalf via a secure website (which can be accessed at: <https://boeportal.co.uk/santanderuk/>):

- anonymised loan-level data (provided at least quarterly);
- transaction summary listing key features of the programme; and
- a link to all material transaction documents.

### Documents Available

So long as Covered Bonds are capable of being issued under the Programme, copies of the following documents will, when published, be provided by the relevant Paying Agent by email following prior written request to the relevant Paying Agent and will be available for inspection on the website of the Issuer at <https://www.santander.co.uk/about-santander/investor-relations/santander-uk-covered-bonds> (save that item (f) will not be available on the website of the Issuer):

- (a) the memorandum and articles of association of the Issuer and the constitutive documents of the LLP;
- (b) the consolidated and non-consolidated audited financial statements of the Issuer in respect of the financial years ended 31 December 2020 and 31 December 2019 and the non-consolidated audited financial statements of the LLP in respect of the financial years ended 31 December 2019 and 31 December 2018;
- (c) the Agency Agreement and the Trust Deed (which contain the Guarantee and the forms of Global Covered Bonds, Covered Bonds in definitive form, Receipts, Coupons, Talons and N Covered Bonds);
- (d) this Prospectus;
- (e) any future information memoranda, offering circulars, prospectuses and supplements to this Prospectus and any other documents incorporated herein or therein by reference;

- (f) in the case of each issue of Covered Bonds subscribed for pursuant to a subscription agreement, the subscription agreement (or equivalent document); and
- (g) each Final Terms Document.

In addition, copies of this Prospectus, any supplementary prospectus, any documents incorporated by reference and each Final Terms Document relating to Covered Bonds which are admitted to trading on the main market of the London Stock Exchange will also be available for inspection on the website of the Issuer at <https://www.santander.co.uk/about-santander/investor-relations/santander-uk-covered-bonds>.

N Covered Bonds, including the N Covered Bond Conditions attached thereto as Schedule 1 and the Form of the Assignment and Accession Agreement attached thereto as Schedule 2, together with the related N Covered Bond Agreement, will only be available for inspection by a holder of each such N Covered Bond, provided that such holder produces evidence satisfactory to the Issuer and the Paying Agent as to its holding of such N Covered Bond and as to its identity.

### **Clearing Systems**

The Covered Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Covered Bonds allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms Document. In addition, the Issuer may make an application for any Registered Covered Bonds to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Covered Bonds cleared through DTC, together with the relevant ISIN and Common Code, will be specified in the applicable Final Terms Document. 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 Document.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041-0099, United States of America.

### **Significant or Material Change**

There has been no significant change in the financial positions or financial performance (a) of the Issuer or any of its subsidiaries since 31 December 2020, being the date of the last audited consolidated financial statements of the Issuer, or (b) of the LLP or any of its subsidiaries since 31 December 2019, being the date of the last audited financial statements of the LLP.

There has been no material adverse change in the prospects of (a) the Issuer or any of its subsidiaries since 31 December 2020, being the date of the last audited consolidated financial statements of the Issuer, or (b) of the LLP or any of its subsidiaries since 31 December 2019, being the date of the last audited financial statements of the LLP.

### **Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the LLP is aware) which may have or had, in the 12 months prior to the date hereof, a significant effect on the financial position or profitability of the Santander UK Group, the Issuer or the LLP and their subsidiaries.

### **Independent Auditors**

The consolidated annual financial statements of the Issuer for the years ended 31 December 2020 and 31 December 2019 incorporated by reference herein have been audited by PricewaterhouseCoopers LLP, independent chartered accountants and registered auditors, as stated in their reports appearing therein.

The financial statements of the LLP for the years ended 31 December 2019 and 31 December 2018 have been audited by PricewaterhouseCoopers LLP, independent chartered accountants and registered auditors, as stated in their reports appearing herein.

The auditors of the Issuer and the Santander UK Group have no material interest in the Issuer or the Santander UK Group.

## **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.

## **Post-issuance information**

The Issuer provides monthly Investor Reports detailing compliance with the Asset Coverage Test and other information in relation to the Portfolio including characteristics of the Portfolio, the total outstanding current balance of the Loans in the Portfolio, a breakdown of the current Loan-to-Value Ratios, credit ratings and a summary of the balances of the Ledgers. This information will be available on the website <https://www.santander.co.uk/about-santander/investor-relations/santander-uk-covered-bonds>. Please note that websites and URLs referred to in this Prospectus do not form part of this Prospectus.

## **Contracts (Rights of Third Parties) Act 1999**

The Contracts (Rights of Third Parties) Act 1999 provides, *inter alia*, that persons who are not parties to a contract governed by the laws of England and Wales may be given enforceable rights under such contract. Unless specifically provided in the applicable Final Terms Document to the contrary, this Programme expressly excludes the application of the Contracts (Rights of Third Parties) Act 1999 to any issue of Covered Bonds under the Programme.

## GLOSSARY

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| "30/360", "360/360" or "Bond Basis"                | The meaning given in Condition 4.5(c)(vi) ( <i>Business Day, Business Day Convention, Day Count Fractions and other adjustments</i> );   |
| "30E/360" or "Eurobond Basis"                      | The meaning given in Condition 4.5(c)(vii) ( <i>Business Day, Business Day Convention, Day Count Fractions and other adjustments</i> );  |
| "30E/360 (ISDA)"                                   | The meaning given in Condition 4.5(c)(viii) ( <i>Business Day, Business Day Convention, Day Count Fractions and other adjustments</i> );   |
| "1999 Regulations"                                 | Unfair Terms in Consumer Contracts Regulations 1999, as amended;   |
| "€", "Euro" or "euro"                              | The lawful currency for the time being of the Member States of the EU that have adopted or may adopt the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty of Rome of 25 March 1957, as amended by, <i>inter alia</i> , 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; |
| "€STR"   | The meaning given in Condition 4.2(b)(ii) ( <i>Screen Rate Determination for Floating Rate Covered Bonds</i> );  |
| "£" or "Sterling"                                  | The lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland;  |
| "\$", "U.S.\$" or "U.S. Dollars" or "U.S. Dollars" | The lawful currency for the time being of the United States of America;  |
| "¥", "Yen" or "JPY"                                | The lawful currency for the time being of Japan;   |
| "Issuer Acceleration Notice"                       | The meaning given in Condition 9.1 ( <i>Issuer Events of Default</i> );  |
| "Issuer Event of Default"                          | The meaning given in Condition 9.1 ( <i>Issuer Events of Default</i> );  |
| "Abbey Standard Variable Rate"                     | The standard variable rate set by the Seller which applies to the relevant Variable Rate Loans (other than Tracker Loans) beneficially owned by the Seller on the Seller's residential mortgage book;  |
| "Abbey Subordinated Loan"                          | The meaning given on page 191;   |
| "Account Bank"                                     | Santander UK plc and any other financial institution which accedes to the Bank Account Agreement as an Account Bank;   |
| "Accrual Period"                                   | In accordance with Condition 4.5(c)(i)(A) ( <i>Business Day, Business Day Convention, Day Count Fractions and other adjustments</i> ), the relevant  |

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|---|--|
|   | period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date;  |
| <b>"Accrual Yield"</b>                          | In relation to a Zero Coupon Covered Bond, the meaning given in the applicable Final Terms Document;   |
| <b>"Accrued Interest"</b>                       | In relation to a Loan as at any date, interest accrued but not yet due and payable on the Loan from (and including) the Monthly Payment Day immediately preceding the relevant date to (but excluding) the relevant date;  |
| <b>"Act"</b>                                    | Financial Services Act 2012;   |
| <b>"Actual/360"</b>                             | The meaning given in Condition 4.5(c)(v) ( <i>Business Day, Business Day Convention, Day Count Fractions and other adjustments</i> );  |
| <b>"Actual/365 (Fixed)"</b>                     | The meaning given in Condition 4.5(c)(iii) ( <i>Business Day, Business Day Convention, Day Count Fractions and other adjustments</i> );  |
| <b>"Actual/365 (Sterling)"</b>                  | The meaning given in Condition 4.5(c)(iv) ( <i>Business Day, Business Day Convention, Day Count Fractions and other adjustments</i> );   |
| <b>"Actual/Actual or Actual/Actual (ISDA)"</b>  | The meaning given in Condition 4.5(c)(ii) ( <i>Business Day, Business Day Convention, Day Count Fractions and other adjustments</i> );   |
| <b>"Actual/Actual (ICMA)"</b>                   | The meaning given in Condition 4.5(c)(i) ( <i>Business Day, Business Day Convention, Day Count Fractions and other adjustments</i> );  |
| <b>"Additional Business Centre"</b>             | The meaning (if any) given in the applicable Final Terms Document;   |
| <b>"Adjusted Aggregate Loan Amount"</b>         | The meaning given on page 192;   |
| <b>"Adjusted Outstanding Principal Balance"</b> | The meaning given on page 193;   |
| <b>"Adjusted Required Redemption Amount"</b>    | The Sterling Equivalent of: <ul style="list-style-type: none"> <li>(a) the Required Redemption Amount; <ul style="list-style-type: none"> <li>plus (if an amount is payable by the LLP)</li> <li>or minus (if an amount is payable to the LLP)</li> </ul> </li> <li>(b) any swap termination amounts payable to or by the LLP under the Covered Bond Swap Agreement in respect of the relevant Series of Covered Bonds; <ul style="list-style-type: none"> <li>plus (if an amount is payable by the LLP)</li> <li>or minus (if an amount is payable to the LLP)</li> </ul> </li> </ul> |

(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 GIC 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);

**"Agency Agreement"**

The agency agreement dated the Programme Date and made between, among others, the Issuer, the LLP, the Bond Trustee, the Security Trustee, the Principal Paying Agent and the other Paying Agents, the Exchange Agent, the Registrar and the Transfer Agent (as amended and/or supplemented and/or restated from time to time);

**"Agents"**

The Paying Agents, the Registrar, the Exchange Agent, the Transfer Agents and any Calculation Agent;

**"Alternative Insurance Requirements"**

Requirements which vary the insurance provisions of the Mortgage Conditions;

**"APMR Calculation Date"**

The meaning given in the Asset Monitor Agreement;

**"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 each Calculation Date after a Notice to Pay has been served on the LLP;

**"Amortisation Test Aggregate Loan Amount"**

The meaning given on page 196;

**"Amortisation Test Outstanding Principal Balance"**

The meaning given on page 196;

**"Amortised Face Amount"**

The meaning given on page 140;

**"Annual Submission Date"**

The date that the Issuer has agreed to submit the Asset Pool Monitor Report to the FCA for the



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|  | purposes of complying with the RCB Regulations, being 8 November in each year, or such other date as agreed from time to time between the Issuer and the FCA;  |
| "Arranger"                                       | Santander UK plc;  |
| "Arrears Adjusted Outstanding Principal Balance" | The meaning given on page 193;   |
| "Arrears of Interest"                            | In relation to a Loan as at any date, the aggregate of all interest and expenses which are due and payable and unpaid on that date;  |
| "Asset Coverage Test"                            | The test as to whether the Adjusted Aggregate Loan Amount is at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date;  |
| "Asset Coverage Test Breach Notice"              | The notice required to be served by the Bond Trustee if the Adjusted Aggregate Loan Amount is less than the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds on two consecutive Calculation Dates;   |
| "Asset Monitor"                                  | A reputable institution appointed pursuant to the Asset Monitor Agreement;   |
| "Asset Monitor Agreement"                        | The asset monitor agreement entered into on the Programme Date between the Asset Monitor, the LLP, the Cash Manager, the Issuer, the Bond Trustee and the Security Trustee (as amended and/or supplemented and/or restated from time to time);   |
| "Asset Pool Monitor Report"                      | The results of the tests conducted by the Asset Monitor in accordance with the Asset Monitor Agreement to be delivered to the Cash Manager, the LLP, the Issuer, the Bond Trustee and the Security Trustee;  |
| "Asset Percentage"                               | 91.0 per cent. or such lesser percentage figure as determined from time to time in accordance with the terms of the LLP Deed;  |
| "Asset Pool"                                     | All assets of the LLP from time to time including but not limited to the Portfolio, any Substitution Assets, any Authorised Investments, the rights of the LLP in the Transaction Documents, the LLP Accounts (excluding the Swap Collateral Accounts) and all amounts standing to the credit thereto and any other assets referred to in Regulation 3(1) ( <i>Asset Pool</i> ) of the RCB Regulations, <b>provided that</b> all such assets are recorded and excluding, for the avoidance of doubt, Swap Collateral as comprising the asset pool under the RCB Regulations; |
| "Asset Pool Monitor"                             | The meaning given in the RCB Regulations;  |
| "Assignment Date"                                | Each of the First Assignment Date and each other date on which a New Portfolio is assigned to the LLP  |

in accordance with the terms of the Mortgage Sale Agreement;

**"Authorised Investments"**

Each of:

- (a) Sterling gilt-edged securities having a remaining maturity date of 30 days or less and maturing on or before the next following LLP Payment Date;
- (b) Sterling demand or time deposits, certificates of deposit, long-term debt obligations and short-term debt obligations **provided that** in all cases such investments have a remaining period to maturity of 30 days or less and mature on or before the next following LLP Payment Date and (i) 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, A-1+ by S&P and F1 by Fitch and (ii) 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 at least A by Fitch; and
- (c) Sterling denominated government and public securities, as defined from time to time by the FCA, **provided that** such investments have a remaining period to maturity of 30 days or less and mature on or before the next following LLP Payment Date and which are rated Aaa by Moody's, AAA by S&P and AAA by Fitch;

**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 on the GIC Account;
- (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, refinance an existing Term Advance or invest in Substitution Assets), (ii) any Cash Capital Contributions received from a Member (other than those Cash Capital Contributions credited to the

Reserve Ledger on the GIC Account) and (iii) the proceeds from any sale of Loans (including, but not limited to, Selected Loans) pursuant to the terms of the LLP Deed or the Mortgage Sale Agreement to the extent that such proceeds represent principal, but excluding any amount of principal received under the Covered Bond Swap Agreements;

- (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) the amount of any termination payment received from a Swap Provider which is not applied to acquire a replacement for the relevant terminated Swap,

*Less*

- (e) any Swap Collateral Excluded Amounts;

**"Available Revenue Receipts"**

On a relevant Calculation Date, an amount equal to the aggregate of (without double counting):

- (a) the amount of Revenue Receipts received during the immediately preceding Calculation Period and credited to the Revenue Ledger on the GIC Account;
- (b) other net income of the LLP including all amounts of interest received on the LLP Accounts, the Substitution Assets and any Authorised Investments in the preceding Calculation Period and the proceeds from any sale of Loans (including, but not limited to, Selected Loans) pursuant to the terms of the LLP Deed or the Mortgage Sale Agreement to the extent that such proceeds comprise Accrued Interest and Arrears of Interest or other interest amounts, but excluding amounts received by the LLP under the Interest Rate Swap Agreement and amounts in respect of interest received by the LLP under each Covered Bond Swap Agreement;
- (c) amounts standing to the credit of the Reserve Fund in excess of the Reserve Fund Required Amount;
- (d) any other revenue receipts not referred to in paragraphs (a) to (c) (inclusive) above received during the previous Calculation

Period and standing to the credit of the Revenue Ledger on the GIC Account;

- (e) following service of a Notice to Pay or an Asset Coverage Test Breach Notice (if not revoked), amounts standing to the credit of the Reserve Fund; and
- (f) the amount of any premium received by the LLP from a new Swap Provider as consideration for the entry by the LLP into a new Swap, except to the extent applied to pay any termination payment under the relevant Swap being replaced,

*Less*

- (i) Third Party Amounts, which shall be paid on receipt in cleared funds to the Seller;
- (ii) Tax Credits; and
- (iii) Swap Collateral Excluded Amounts;

**"Banco Santander"**

Banco Santander, S.A.;

**"Banco Santander Group"**

Banco Santander and its Subsidiaries collectively;

**"Bank Account Agreement"**

The bank account agreement entered into on the Programme Date between the LLP, the Account Bank, the Cash Manager and the Security Trustee (as amended and/or supplemented and/or restated from time to time);

**"Banking Act"**

The U.K. Banking Act 2009, which came into force on 21 February 2009, as amended from time to time;

**"Basel Committee"**

The Basel Committee on Banking Supervision;

**"Bearer Covered Bonds"**

Covered Bonds in bearer form;

**"Bearer Definitive Covered Bond"**

A Bearer Covered Bond in definitive form issued or, as the case may require, to be issued by the Issuer in accordance with the provisions of the 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 (all as indicated in the applicable Final Terms Document), 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(s) or Lead Manager (in the case of syndicated issues) and having the Terms and Conditions endorsed thereon or, if permitted by the relevant Stock Exchange, incorporating the Terms and Conditions by reference as indicated in the

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|                                      | applicable Final Terms Document and having the relevant information supplementing, replacing or modifying the Terms and Conditions appearing in the applicable Final Terms Document endorsed thereon or attached thereto and (except in the case of a Zero Coupon Covered Bond in bearer form) having Coupons and, where appropriate, Receipts and/or Talons attached thereto on issue;  |
| <b>"Bearer Global Covered Bonds"</b> | Global Covered Bonds in bearer form, comprising Temporary Global Covered Bonds and Permanent Global Covered Bonds;   |
| <b>"Benchmarks Regulation"</b>       | The meaning given on page i of this Prospectus;  |
| <b>"Beneficial Owner"</b>            | Each actual purchaser of each DTC Covered Bond;  |
| <b>"Bond Trustee"</b>                | Deutsche Trustee Company Limited, in its capacity as bond trustee under the Trust Deed together with any successor or additional bond trustee appointed from time to time thereunder;  |
| <b>"Borrower"</b>                    | In relation to a Loan, each individual specified as such in the relevant Mortgage Terms together with each individual (if any) who assumes from time to time an obligation to repay such Loan or any part of it;   |
| <b>"Broken Amount"</b>               | The meaning (if any) given in the applicable Final Terms Document;   |
| <b>"BRRD"</b>                        | Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014;   |
| <b>"Buildings Policies"</b>          | <p>(a) All buildings insurance policies relating to Properties which have been taken out in the name of the relevant Borrower in accordance with the applicable Mortgage Terms or the Alternative Insurance Requirements (including, but not limited to, the Santander UK plc Policies); and</p> <p>(b) All landlord's buildings insurance policies relating to leasehold Properties including Properties in Scotland held under a long lease;</p> |
| <b>"Business Day"</b>                | The meaning given in Condition 4.5(a) ( <i>Business Day, Business Day Convention, Day Count Fractions and other adjustments</i> ) and, if (i) the relevant Final Terms Document specifies that the Reference Rate is "Compounded Daily SOFR" and (ii) a SOFR Index Cessation Date has not occurred, a U.S. Government Securities Business Day;   |
| <b>"Business Day Convention"</b>     | In respect of a Tranche of Covered Bonds and either the Specified Periods or the Interest Payment Dates, the business day convention specified in the applicable Final Terms Document and determined in accordance with Condition 4.5(b) ( <i>Business Day,</i>  |

*Business Day Convention, Day Count Fractions and other adjustments);*

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| <b>"Calculation Agent"</b>            | In relation to one or more Series of Covered Bonds, the person initially appointed as calculation agent in relation to such Covered Bonds by the Issuer and the LLP pursuant to the Agency Agreement or, if applicable, any successor calculation agent in relation to such Covered Bonds;   |
| <b>"Calculation Amount"</b>           | The meaning given in the applicable Final Terms Document;  |
| <b>"Calculation Date"</b>             | On or following the Effective Date, in respect of a Calculation Period, the first London Business Day of that period;  |
| <b>"Calculation Period"</b>           | <p>(a) Prior to the Effective Date, the period from (and including) one Calculation Date to (but excluding) the next following Calculation Date, except that the first Calculation Period shall commence on (and include) the first Issue Date under the Programme and end on (but exclude) the next following Calculation Date; and</p> <p>(b) on or following the Effective Date, the period from (and including) the first calendar day of each calendar month to (but excluding) the first calendar day of the next following calendar month, except that the first Calculation Period shall commence on (and include) the first Issue Date under the Programme and end on (but exclude) the first calendar day of the next following month;</p> |
| <b>"Capital Account Ledger"</b>       | 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;   |
| <b>"Capital Contribution"</b>         | 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;   |
| <b>"Capital Contribution in Kind"</b> | A contribution of Loans and their Related Security to the LLP in an amount equal to (a) the Outstanding Principal Balance of those Loans as at the relevant Assignment Date minus (b) any cash payment paid by the LLP for the Loans and their Related Security on that Assignment Date, together with (i) the principal amount of all Flexible Loan Drawings and Further Advances in respect of such Loans which are funded by the Seller as a Member of the LLP and (ii) Capitalised Arrears added to the principal amount outstanding of such Loans;  |
| <b>"Capital Distribution"</b>         | Any return on a Member's Capital Contribution in accordance with the terms of the LLP Deed (and  |

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|                                    | excluding, for the avoidance of doubt, any Deferred Consideration);  |
| <b>"Capitalised Arrears"</b>       | In relation to a Loan on any date (the " <b>determination date</b> "), the amount (if any) at such date of any Arrears of Interest in respect of which, on or prior to the determination date, each of the following conditions has been satisfied: <ul style="list-style-type: none"> <li>(a) the Seller (or the Servicer on the Seller's behalf) has, by arrangement with the relevant Borrower, agreed to capitalise such Arrears of Interest; and</li> <li>(b) such Arrears of Interest have been capitalised and added, in the relevant accounts of the Seller (or, if the determination date occurs after the First Assignment Date, the LLP), to the principal amount outstanding in respect of such Loan;</li> </ul> |
| <b>"Capitalised Expenses"</b>      | In relation to a Loan, the amount of any expense, charge, fee, premium or payment (excluding, however, any Arrears of Interest) capitalised and added to the principal amount outstanding of that Loan in accordance with the relevant Mortgage Terms (including any High Loan-to-Value Fee);  |
| <b>"Capitalised Interest"</b>      | The increase in the Outstanding Principal Balance of a Flexible Loan that occurs as a result of the relevant Borrower having taken a Payment Holiday in respect of interest on that Flexible Loan, such increase to be in an amount equal to the Accrued Interest that was due but not paid;   |
| <b>"Capped Rate Loan"</b>          | Those Loans that are subject to a maximum rate of interest and where the interest rate payable by the Borrower is the lesser of the SVR or, as the case may be, the Tracker Rate and such specified maximum rate of interest;  |
| <b>"Cash Capital Contribution"</b> | A capital contribution to the LLP made in cash whether by way of loan or otherwise and including the amount of any Payment Holidays on the Loans in the Portfolio funded by the Seller as a Member of the LLP;   |
| <b>"Cash Management Agreement"</b> | The cash management agreement entered into on the Programme Date between the LLP, the Cash Manager and the Security Trustee (as amended and/or supplemented and/or restated from time to time);  |
| <b>"Cash Manager"</b>              | Santander UK, in its capacity as cash manager or any successor cash manager appointed from time to time;   |
| <b>"CCA"</b>                       | Consumer Credit Act 1974, as amended;  |
| <b>"CCA 2006"</b>                  | Consumer Credit Act 2006 as amended;   |

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| <b>"Certificate of Title"</b>                                | A solicitor's or licensed conveyancer's or 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;        |
| <b>"Charged Property"</b>                                    | The meaning given on page 208;  |
| <b>"CHF" or "Swiss Franc"</b>                                | The lawful currency for the time being of Switzerland;  |
| <b>"Clearing Systems"</b>                                    | DTC, Euroclear and/or Clearstream, Luxembourg;  |
| <b>"Clearstream, Luxembourg"</b>                             | Clearstream Banking S.A. or its successors;   |
| <b>"CML"</b>   | Council of Mortgage Lenders;  |
| <b>"Commission"</b>  | The European Commission;  |
| <b>"Common Depositary"</b>                                   | Deutsche Bank AG, London Branch, in its capacity as the common depositary for Euroclear and Clearstream, Luxembourg;  |
| <b>"Common Safekeeper"</b>                                   | The common safekeeper for Euroclear and Clearstream, Luxembourg;  |
| <b>"Compounded Daily €STR"</b>                               | The meaning given in Condition 4.2(b)(ii) ( <i>Screen Rate Determination for Floating Rate Covered Bonds</i> );   |
| <b>"Compounded Daily SOFR"</b>                               | The meaning given in Condition 4.2(b)(ii) ( <i>Screen Rate Determination for Floating Rate Covered Bonds</i> );   |
| <b>"Compounded Daily SONIA"</b>                              | The meaning given in Condition 4.2(b)(ii) ( <i>Screen Rate Determination for Floating Rate Covered Bonds</i> );   |
| <b>"Conditional Purchase Agreement"</b>                      | The meaning given on page 259;  |
| <b>"Conditional Purchase Confirmation"</b>                   | A confirmation provided by the Remarketing Bank to the Issuer or the Principal Paying Agent that the Conditional Purchaser has purchased an interest in, or has had transferred to it or on its behalf, an interest in all of the Money Market Covered Bonds; |
| <b>"Conditional Purchaser"</b>                               | The entity specified as such in the applicable Final Terms Document;  |
| <b>"Conditional Purchaser Obligation Termination Events"</b> | The meaning given on pages 15 and 260;  |
| <b>"Corporate Services Agreement"</b>                        | The corporate services agreement entered into by the Liquidation Member and Holdings, with, <i>inter alios</i> , the Corporate Services Provider and the LLP dated the Programme Date (as amended and/or supplemented and/or restated from time to time);     |
| <b>"Corporate Services Provider"</b>                         | Wilmington Trust SP Services (London) Limited, in its capacity as corporate services provider (and any successor corporate services provider);  |



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| <b>"Couponholders"</b>                             | The holders of the Coupons (which expression shall, unless the context otherwise requires, include the holders of the Talons);   |
| <b>"Coupons"</b>                                   | Interest coupons in respect of Bearer Definitive Covered Bonds;  |
| <b>"Cover Pool Swap"</b>                           | The single Interest Rate Swap in the form of a cover pool swap transaction in accordance with the Interest Rate Swap Agreement;  |
| <b>"Covered Bond"</b>                              | Each covered bond issued or to be issued pursuant to the Programme Agreement and which is or is to be constituted under the Trust Deed, which covered bond may be represented by a Global Covered Bond or any Definitive Covered Bond and includes any replacements for a Covered Bond issued pursuant to Condition 10 ( <i>Replacement of Covered Bonds, Receipts, Coupons and Talons</i> ). For the avoidance of doubt, if and when used in respect of a Ratings Modification Event, the term <b>"Covered Bonds"</b> is deemed to refer solely to Covered Bonds issued on or after 25 June 2014; |
| <b>"Covered Bond Guarantee"</b>                    | An unconditional and irrevocable guarantee by the LLP in the Trust Deed for the payment (following service of a Notice to Pay) of Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment;   |
| <b>"Covered Bond Swap"</b>                         | A Forward Starting Covered Bond Swap or a Non-Forward Starting Covered Bond Swap;  |
| <b>"Covered Bond Swap Agreement"</b>               | Each agreement between the LLP, a Covered Bond Swap Provider and the Security Trustee governing any Covered Bond Swaps in the form of an ISDA Master Agreement, including a schedule, one or more confirmations and a credit support annex;  |
| <b>"Covered Bond Swap Early Termination Event"</b> | The meaning given on page 206;   |
| <b>"Covered Bond Swap Provider"</b>                | Each provider of a Covered Bond Swap under a Covered Bond Swap Agreement;  |
| <b>"Covered Bond Swap Rate"</b>                    | In relation to a Series of Covered Bonds, the exchange rate specified in the Covered Bond Swap relating to such Covered Bonds or, if the relevant Covered Bond Swap Agreement has terminated, the applicable spot rate;  |
| <b>"Covered Bondholders"</b>                       | The holders for the time being of the Covered Bonds;   |
| <b>"CRDIV / CRR"</b>                               | The Capital Requirements Directive IV and Capital Requirements Regulation;   |
| <b>"Custodian"</b>                                 | Any custodian with whom the relevant Registered Global Covered Bonds have been deposited;  |
| <b>"Customer Files"</b>                            | The file or files relating to each Loan and its Related Security containing, <i>inter alia</i> :   |

- (a) all material correspondence relating to that Loan; and
- (b) the completed mortgage documentation applicable to the Loan (other than the Title Deeds) including the Valuation Report and the solicitor's or licensed or qualified conveyancer's Certificate of Title,

whether original documentation, in electronic form or otherwise;

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| <b>"Daily €STR"</b>           | The meaning given in Condition 4.2(b)(ii) ( <i>Screen Rate Determination for Floating Rate Covered Bonds</i> );  |
| <b>"Daily SOFR"</b>           | The meaning given in Condition 4.2(b)(ii) ( <i>Screen Rate Determination for Floating Rate Covered Bonds</i> );  |
| <b>"Daily SONIA"</b>          | The meaning given in Condition 4.2(b)(ii) ( <i>Screen Rate Determination for Floating Rate Covered Bonds</i> );  |
| <b>"Day Count Fraction"</b>   | The applicable meaning given in Condition 4.5(c) ( <i>Business Day, Business Day Convention, Day Count Fractions and other adjustments</i> );  |
| <b>"Dealer"</b>               | Each of Banco Santander S.A, Barclays Bank PLC, BNP Paribas, Commerzbank Aktiengesellschaft, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, HSBC Bank plc, Natixis, NatWest Markets Plc, RBC Europe Limited, Société Générale, The Toronto-Dominion Bank, UBS AG London Branch and UniCredit Bank AG, and each dealer appointed from time to time in accordance with the Programme Agreement, which appointment may be for a specific issue or on an ongoing basis. References in this Prospectus to the relevant Dealer(s) shall, in the case of an issue of Covered Bonds being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Covered Bonds; |
| <b>"Deed of Charge"</b>       | The deed of charge entered into on the Programme Date between the LLP, the Bond Trustee, the Security Trustee and the other Secured Creditors (as amended and/or supplemented and/or restated from time to time);  |
| <b>"Deed of Consent"</b>      | 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 in the relevant Mortgage;   |
| <b>"Deed of Postponement"</b> | A deed or agreement whereby a mortgagee of or the heritable creditor in relation to a Property agrees with the Seller to postpone its mortgage or standard security (as appropriate) over the Property so that the   |

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|   | sums secured by it will rank for repayment after the sums secured by the relevant Mortgage;  |
| <b>"Defaulted Loan"</b>                       | Any Loan in the Portfolio which is three months or more in arrears;  |
| <b>"Deferred Consideration"</b>               | The consideration payable to the Seller in respect of the Loans sold to the LLP from time to time, which is payable after making payments of a higher order of priority as set out in the relevant Priority of Payments;   |
| <b>"Definitive Covered Bond"</b>              | A Bearer Definitive Covered Bond and/or a Registered Definitive Covered Bond, as the context may require;  |
| <b>"Definitive Regulation S Covered Bond"</b> | A Registered Covered Bond sold to non-U.S. persons outside the United States in reliance on Regulation S, which is in definitive form;   |
| <b>"Definitive Rule 144A Covered Bond"</b>    | A Registered Covered Bond sold in the United States to QIBs in reliance on Rule 144A, which is in definitive form;   |
| <b>"Delayed Cashback"</b>                     | In relation to any Loan, an agreement by the Seller to pay an amount to the relevant Borrower after a specified period of time following completion of the relevant Loan;  |
| <b>"Dematerialised Loan"</b>                  | An English Loan completed on or after 13 October 2003 in relation to which the Seller is not required by law to hold any deeds or documents in order to evidence title to the relevant Property or any rights in relation to the relevant Property or the Seller's Mortgage of the relevant Property and in relation to which the Seller does not retain Title Deeds or a Scottish Loan completed on or after 22 January 2007 in relation to which land and charge certificates are available in electronic form only; |
| <b>"Depositor Set-off Determination Date"</b> | The meaning given on page 195;   |
| <b>"Depositor Set-off Percentage"</b>         | The meaning given on page 195;   |
| <b>"Designated Account"</b>                   | The meaning given in Condition 5.4 ( <i>Payments in respect of Registered Covered Bonds</i> );   |
| <b>"Designated Bank"</b>                      | The meaning given in Condition 5.4 ( <i>Payments in respect of Registered Covered Bonds</i> );   |
| <b>"Designated Maturity"</b>                  | The meaning given in the ISDA Definitions;   |
| <b>"Designated Member"</b>                    | 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 being, as at the date of this Prospectus, Santander UK and the Liquidation Member;  |
| <b>"Determination Date"</b>                   | The meaning given in the applicable Final Terms Document;  |

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| <b>"Determination Period"</b>           | The meaning given in Condition 4.5(d) ( <i>Business Day, Business Day Convention, Day Count Fractions and other adjustments</i> );  |
| <b>"Direct Participants"</b>            | Direct participants in DTC;   |
| <b>"Directors"</b>                      | The directors for the time being of the Issuer;   |
| <b>"Distribution Compliance Period"</b> | The period that ends 40 days after the later of the commencement of the offering and the Issue Date;  |
| <b>"Dodd-Frank Act"</b>                 | The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in the U.S. on 21 July 2010, as amended;   |
| <b>"DTC"</b>                            | The Depository Trust Company or its successors;   |
| <b>"DTC Covered Bonds"</b>              | Registered Covered Bonds accepted into DTC's book-entry settlement system;  |
| <b>"DTC Rules"</b>                      | The rules, regulations and procedures creating and affecting DTC and its operations;  |
| <b>"Due for Payment"</b>                | <p>The requirement of the LLP to pay any Guaranteed Amount:</p> <p>(a) following service of a Notice to Pay but prior to service of an LLP Acceleration Notice:</p> <p style="padding-left: 40px;">(i) (except where paragraph (ii) below applies) on the date on which the Scheduled Payment Date in respect of such Guaranteed Amount is reached, or, if the applicable Final Terms Document specified that an Extended Due for Payment Date is applicable to the relevant Series of Covered Bonds, on the Interest Payment Date that would have applied if the Final Maturity Date of such Series of Covered Bonds had been the Extended Due for Payment Date or such other Interest Payment Date(s) specified in the applicable Final Terms Document (the "<b>Original Due for Payment Date</b>"); and</p> <p style="padding-left: 40px;">(ii) in relation to any Guaranteed Amount in respect of the Final Redemption Amount payable on the Final Maturity Date of a Series of Covered Bonds for which an Extended Due for Payment Date is specified in the applicable Final Terms Document, on the Extended Due for Payment Date, but only to the extent that the LLP, having</p> |

received the Notice to Pay no later than the date falling one Business Day prior to the Extension Determination Date, does not pay Guaranteed Amounts corresponding to the full amount of 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 (1) the date which falls two Business Days after service of the Notice to Pay on the LLP or, if later, the Final Maturity Date (in each case after the expiry of the grace period set out in Condition 9.2(a) (*LLP Events of Default*)) and (2) the Extension Determination Date;

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; or

- (b) following service of an LLP Acceleration Notice, on the date on which the 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 GIC Account) that has or have the earliest Final Maturity Date as specified in the applicable Final Terms Document (ignoring any acceleration of amounts due under the Covered Bonds prior to service of an LLP Acceleration Notice);

**"Early Redemption Amount"**

The amount calculated in accordance with Condition 6.8 (*Early Redemption Amounts*);

**"Early Repayment Fee"**

Any fee which a Borrower is required to pay in the event that his or her Loan becomes repayable for default or for any other mandatory reason or he or she repays all or any part of the relevant Loan before a specified date;

**"ECB"**

The European Central Bank;

**"Effective Date"**

The date on which the Servicer and/or Cash Manager notifies the Bond Trustee and Security Trustee that the Effective Date has occurred in respect of the

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|   | definitions of "Calculation Date" and "Calculation Period";  |
| <b>"Eligibility Criteria"</b>                 | The meaning given on page 177;   |
| <b>"English Loan"</b>                         | A Loan secured by a Mortgage over a Property located in England or Wales;  |
| <b>"Enlarged Santander UK Group"</b>          | The Santander UK Group, each Holding Company of Santander UK and the Subsidiaries of each such Holding Company;  |
| <b>"EU"</b>                                   | European Union;  |
| <b>"EU CRA Regulation"</b>                    | Regulation (EU) No. 1060/2009 of the European Parliament and of the Council, as amended or restated;   |
| <b>"EU EMIR"</b>                              | Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories dated 4 July 2012, the European Market Infrastructure Regulation;  |
| <b>"EURIBOR"</b>                              | Euro-zone inter-bank offered rate;   |
| <b>"EUWA "</b>                                | The European Union (Withdrawal) Act 2018, and the regulations made thereunder, as amended, varied, superseded or substituted from time to time;  |
| <b>"Euroclear"</b>                            | Euroclear Bank SA/NV or its successors;  |
| <b>"Excess Proceeds"</b>                      | In accordance with Condition 9.1 ( <i>Issuer Events of Default</i> ), monies received (following service of an Issuer Acceleration Notice) by the Bond Trustee from the Issuer or any administrator, administrative receiver, receiver, liquidator, trustee in sequestration or other similar officer appointed in relation to the Issuer; |
| <b>"Exchange Act"</b>                         | The U.S. Securities Exchange Act of 1934, as amended;  |
| <b>"Exchange Agent"</b>                       | Deutsche Bank Trust Company Americas in its capacity as exchange agent (which expression shall include any successor exchange agent);  |
| <b>"Exchange Date"</b>                        | On or after the date which is 40 days after a Temporary Global Covered Bond is issued;   |
| <b>"Exchange Event"</b>                       | In the case of Bearer Covered Bonds, the meaning given on page 89 and in the case of Registered Covered Bonds, the meaning given on page 90;   |
| <b>"Excluded Scheduled Interest Amounts"</b>  | The meaning given in the definition of Scheduled Interest;   |
| <b>"Excluded Scheduled Principal Amounts"</b> | The meaning given in the definition of Scheduled Principal;  |
| <b>"Excluded Swap Termination Amount"</b>     | In relation to a Swap Agreement, an amount equal to the amount of any termination payment due and  |

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|   | payable under that Swap Agreement (a) to the relevant Swap Provider as a result of a Swap Provider Default with respect to such Swap Provider or (b) to the relevant Swap Provider following a Swap Provider Downgrade Event with respect to such Swap Provider;   |
| <b>"Existing Rating Agency Reappointment"</b> | The reappointment of any removed Rating Agency following an Existing Rating Agency Removal or substitution of any removed Rating Agency for one of the remaining two Rating Agencies;  |
| <b>"Existing Rating Agency Removal"</b>       | The removal of any one of the Rating Agencies from rating a Series of Covered Bonds issued on or after the date of this Prospectus;  |
| <b>"Extended Due for Payment Date"</b>        | In relation to any Series of Covered Bonds, the date, if any, specified as such in the applicable Final Terms Document 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 by the Extension Determination Date;   |
| <b>"Extension Determination Date"</b>         | In relation to any Series of Covered Bonds, the date falling two Business Days after the expiry of seven days from (and including) the Final Maturity Date of such Series of Covered Bonds;  |
| <b>"Extraordinary Resolution"</b>             | A resolution of the Covered Bondholders passed as such under the terms of the Trust Deed;  |
| <b>"FATCA"</b>                                | Sections 1471 through 1474 of the United States Internal Revenue Code of 1986;   |
| <b>"FCA"</b>                                  | Financial Conduct Authority;   |
| <b>"Final Maturity Date"</b>                  | The Interest Payment Date on which a Series of Covered Bonds will be redeemed at the Final Redemption Amount in accordance with the Terms and Conditions;  |
| <b>"Final Redemption Amount"</b>              | The meaning given in the relevant Final Terms Document;  |
| <b>"Final Terms Document"</b>                 | (i) With respect to Covered Bonds to be admitted to the Official List and admitted to trading by the London Stock Exchange, the final terms which will be delivered to the FCA and the London Stock Exchange on or before the date of issue of the applicable Tranche of Covered Bonds; and (ii) with respect to any N Covered Bond, the relevant N Covered Bond Conditions applicable to the N Covered Bond and the relevant N Covered Bond Agreement (taken together, which have not been issued pursuant to this Prospectus and which the FCA has neither approved nor reviewed); |
| <b>"Financial Services Act"</b>               | Legislative Decree No. 58 of 24 February 1998 of the Republic of Italy, as amended;  |

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| <b>"First Assignment Date"</b>       | The date on which the Initial Portfolio was assigned to the LLP pursuant to the terms of the Mortgage Sale Agreement;   |
| <b>"Fitch"</b>                       | Fitch Ratings Ltd. or its successors;   |
| <b>"Fixed Coupon Amount"</b>         | The meaning given in the applicable Final Terms Document;   |
| <b>"Fixed Rate Covered Bonds"</b>    | Covered Bonds that pay a fixed rate of interest on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s);   |
| <b>"Fixed Rate Loans"</b>            | Loans where the interest rate payable by the Borrower does not vary and is fixed for a certain period of time by the Seller together with Capped Rate Loans for as long as the same are subject to interest at the specified capped rate;   |
| <b>"Flexible Draw Capacity"</b>      | The meaning given on page 196;  |
| <b>"Flexible Loan"</b>               | A type of Loan product that typically incorporates features that give the Borrower options (which may be subject to certain conditions) to, among other things, make further drawings on the Mortgage Account and/or overpay or underpay interest and principal in a given month and/or take a Payment Holiday and, for the avoidance of doubt, includes Flexible Plus Loans;   |
| <b>"Flexible Loan Drawing"</b>       | Any further drawing of monies made by a Borrower under a Flexible Loan other than the Initial Advance (but including any Capitalised Interest);   |
| <b>"Flexible Plus Loans"</b>         | Flexible Loans documented under the Seller's flexible plus mortgage conditions 2003 or any subsequent amendment or replacement thereof acceptable to a Reasonable, Prudent Mortgage Lender;   |
| <b>"Floating Rate"</b>               | The meaning given in the ISDA Definitions;  |
| <b>"Floating Rate Convention"</b>    | The meaning given in Condition 4.5(b)(i) ( <i>Business Day, Business Day Convention, Day Count Fractions and other adjustments</i> );   |
| <b>"Floating Rate Covered Bonds"</b> | Covered Bonds which bear interest at a rate determined: <ul style="list-style-type: none"> <li>(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</li> <li>(b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or</li> </ul> |



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|   | (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 Document;  |
| <b>"Floating Rate Option"</b>               | The meaning given in the ISDA Definitions;  |
| <b>"Following Business Day Convention"</b>  | The meaning given in Condition 4.5(b)(ii) ( <i>Business Day, Business Day Convention, Day Count Fractions and other adjustments</i> );  |
| <b>"Forward Starting Covered Bond Swap"</b> | Each transaction between the LLP, the relevant Covered Bond Swap Provider and the Security Trustee in respect of a Series or Tranche, as applicable, of Covered Bonds which provides a hedge against certain interest rate, currency and/or other risks in respect of amounts received by the LLP under the Loans in the Portfolio and any relevant Interest Rate Swaps and amounts payable by the LLP under the Covered Bond Guarantee in respect of Covered Bonds (after service of a Notice to Pay or an LLP Acceleration Notice); |
| <b>"FOS"</b>                                | Financial Ombudsman Service under the FSMA;   |
| <b>"FSA"</b>                                | Financial Services Authority;   |
| <b>"FSCS"</b>                               | Financial Services Compensation Scheme;   |
| <b>"FSMA"</b>                               | Financial Services and Markets Act 2000, as amended;  |
| <b>"Further Advance"</b>                    | 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 but does not include the amount of any retention advanced to the relevant Borrower as part of the Initial Advance after completion of the Mortgage and does not include a Flexible Loan Drawing;  |
| <b>"GIC Account"</b>                        | The account in the name of the LLP held with Santander UK and maintained subject to the terms of the Guaranteed Investment Contract, the Bank Account Agreement and the Deed of Charge or such additional or replacement account as may for the time being be in place with the prior consent of the Security Trustee and designated as such;   |
| <b>"GIC Provider"</b>                       | Santander UK, in its capacity as GIC provider or any successor GIC provider appointed from time to time;  |
| <b>"Global Covered Bond"</b>                | A Bearer Global Covered Bond and/or Registered Global Covered Bond, as the context may require;   |
| <b>"Guaranteed Amounts"</b>                 | Prior to 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  |

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|  | for Payment Date, or after service of an LLP Acceleration Notice, an amount equal to the relevant Early Redemption Amount as specified in the Terms and Conditions plus all accrued and unpaid interest and all other amounts due and payable in respect of the Covered Bonds (other than additional amounts payable under Condition 7 ( <i>Taxation</i> )), 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; |
| <b>"Guaranteed Amounts Due Date"</b>           | The later of (a) the date which is two Business Days following service of a Notice to Pay on the LLP, and (b) the date on which the Guaranteed Amounts are otherwise Due for Payment;   |
| <b>"Guaranteed Investment Contract or GIC"</b> | The guaranteed investment contract between the LLP, the GIC Provider, the Security Trustee and the Cash Manager dated the Programme Date;   |
| <b>"Guarantee Priority of Payments"</b>        | The meaning given on page 219;  |
| <b>"Guarantee"</b>                             | The Covered Bond Guarantee;   |
| <b>"Guarantor"</b>                             | The LLP;  |
| <b>"Halifax Price Index"</b>                   | The index of movements in house prices issued by Halifax plc in relation to residential properties in the United Kingdom;   |
| <b>"Halifax Price Indexed Valuation"</b>       | 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 Price Index since the date of that Latest Valuation;  |
| <b>"Hard Bullet Covered Bonds"</b>             | 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 Document or Pricing Supplement;   |
| <b>"High Loan-to-Value Fee"</b>                | Any fee incurred by a Borrower as a result of taking out a Loan with a Loan-to-Value Ratio in excess of a certain percentage specified in the Offer Conditions;   |
| <b>"Holding Company"</b>                       | Any body corporate which is for the time being a holding company within the meaning given to it in section 1159 of the Companies Act 2006;  |
| <b>"Holdings"</b>                              | Abbey Covered Bonds (Holdings) Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 5407937);  |
| <b>"IASB"</b>                                  | International Accounting Standards Board;   |
| <b>"IFRIC"</b>                                 | IFRS Interpretations Committee;   |

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| <b>"IFRS"</b>                  | International Financial Reporting Standards;   |
| <b>"Indexed Valuation"</b>     | In relation to any Loan secured over any Property at any date: <ul style="list-style-type: none"> <li>(a) where the Latest Valuation of that Property is equal to or greater than the applicable Reference Indexed Valuation as at that date, the applicable Reference Indexed Valuation; or</li> <li>(b) where the Latest Valuation of that Property is less than the applicable Reference Indexed Valuation as at that date, the Latest Valuation plus 85 per cent. of the difference between the Latest Valuation and the applicable Reference Indexed Valuation;</li> </ul>  |
| <b>"Indirect Participants"</b> | Indirect participants in DTC that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly;   |
| <b>"Initial Advance"</b>       | In relation to a Loan, the original principal amount advanced by the Seller including any retention(s) advanced to the relevant Borrower after completion of the Mortgage but excluding any: <ul style="list-style-type: none"> <li>(a) High Loan-to-Value Fee;</li> <li>(b) Further Advance;</li> <li>(c) Flexible Loan Drawing; and</li> <li>(d) Early Repayment Fee,</li> </ul> in each case relating to any such Loan;   |
| <b>"Initial Portfolio"</b>     | The meaning given on page 243;   |
| <b>"Insolvency Act"</b>        | Insolvency Act 1986, as amended;   |
| <b>"Insolvency Event"</b>      | In respect of the Seller or the Servicer: <ul style="list-style-type: none"> <li>(a) an order is made or an effective resolution passed for the liquidation or winding-up of the relevant entity, except for the purposes of a reconstruction, amalgamation or merger or following the transfer of all or substantially all of the assets of the relevant entity, the terms of which have previously been approved in writing by the Bond Trustee or by an Extraordinary Resolution of the Covered Bondholders or which has been effected in compliance with the terms of Condition 14 (<i>Meetings of Covered Bondholders, Modification, Waiver and Substitution</i>); or</li> <li>(b) the relevant entity stops or threatens to stop payment to its creditors generally; or</li> </ul> |

- (c) the relevant entity ceases or threatens to cease to carry on its business or substantially the whole of its business save, (i) for so long as it remains after such cessation not unable to pay its debts within the meaning of section 123 of the Insolvency Act, (ii) for the purposes of a reorganisation on terms approved by the Bond Trustee or (iii) for purposes of a reconstruction, amalgamation or merger between the Issuer and the relevant entity or following the transfer of all or substantially all of the assets of the Issuer to the relevant entity or of the relevant entity to the Issuer; or
- (d) an encumbrancer takes possession or a receiver, administrator, administrative receiver or other similar officer is appointed to the whole or any material part of the undertaking, property and assets of the relevant entity or a distress, diligence or execution is levied or enforced upon or sued out against the whole or any material part of the chattels or property of the relevant entity and, in the case of any of the foregoing events, is not discharged within 30 days; or
- (e) the relevant entity is unable to pay its debts as they fall due;

**"Instalment Amounts"**

In respect of Instalment Covered Bonds, each amount specified as such in the applicable Final Terms Document;

**"Instalment Covered Bonds"**

Covered Bonds which will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Final Terms Document;

**"Instalment Dates"**

In respect of Instalment Covered Bonds, each date specified as such in the applicable Final Terms Document;

**"Insurance Policies"**

The Buildings Policies and the Abbey Insurance Policies;

**"Intercompany Loan Agreement"**

The term loan agreement dated the Programme Date between the Issuer, the LLP, the Cash Manager and the Security Trustee (as amended and/or supplemented and/or restated from time to time);

**"Interest Amount"**

The amount of interest payable on the Floating Rate Covered Bonds in respect of each Specified Denomination for the relevant Interest Period, as calculated in accordance with Condition 4.2(d) (*Determination of Rate of Interest and calculation of Interest Amounts*);

**"Interest Commencement Date"**

In the case of interest-bearing Covered Bonds, the date specified in the applicable Final Terms

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|   | Document from (and including) which the relevant Covered Bonds will accrue interest;  |
| <b>"Interest Determination Date"</b>                | In respect of Floating Rate Covered Bonds to which Screen Rate Determination is applicable, the meaning given in the applicable Final Terms Document;   |
| <b>"Interest Payment Date"</b>                      | In respect of Fixed Rate Covered Bonds, the meaning given in the applicable Final Terms Document and in respect of Floating Rate Covered Bonds, the meaning given in Condition 4.2(a) ( <i>Interest Payment Dates</i> );  |
| <b>"Interest Period"</b>                            | In accordance with Condition 4.5(f) ( <i>Business Day, Business Day Convention, Day Count Fractions and other adjustments</i> ), the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date;   |
| <b>"Interest Rate Shortfall Test"</b>               | The meaning given on page 187;  |
| <b>"Interest Rate Swaps"</b>                        | The interest rate swaps entered into to provide a hedge against the possible variance between (a) the rates of interest payable on the Loans in the Portfolio and (b) SONIA (or such other rate of interest owed by the LLP under the Covered Bond Swaps and the Intercompany Loan Agreements) under the terms of the Interest Rate Swap Agreement; |
| <b>"Interest Rate Swap Agreement"</b>               | The agreement between the LLP, the Interest Rate Swap Provider and the Security Trustee dated the Programme Date governing the Interest Rate Swaps in the form of an ISDA Master Agreement, including a schedule, one or more confirmations and a credit support annex (as amended and/or supplemented and/or restated from time to time);          |
| <b>"Interest Rate Swap Early Termination Event"</b> | The meaning given on page 204;  |
| <b>"Interest Rate Swap Provider"</b>                | Santander UK plc in its capacity as interest rate swap provider under the Interest Rate Swap Agreement, together with any successor interest rate swap provider;  |
| <b>"Investment Company Act"</b>                     | U.S. Investment Company Act of 1940, as amended;  |
| <b>"Investor Put"</b>                               | The meaning given in Condition 6.5 ( <i>Redemption at the option of the Covered Bondholders ("Investor Put")</i> );   |
| <b>"Investor Report"</b>                            | The monthly report made available to the Covered Bondholders, the Security Trustee, the Bond Trustee and the Rating Agencies detailing, <i>inter alia</i> , compliance with the Asset Coverage Test;  |
| <b>"IRS"</b>  | The U.S. Internal Revenue Service;  |

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| <b>"ISDA"</b>                  | International Swaps and Derivatives Association, Inc.;   |
| <b>"ISDA Definitions"</b>      | The meaning given in Condition 4.2(b)(i) ( <i>ISDA Determination for Floating Rate Covered Bonds</i> );  |
| <b>"ISDA Determination"</b>    | If specified as applicable in the applicable Final Terms Document, the manner in which the Rate of Interest on Floating Rate Covered Bonds is to be determined in accordance with Condition 4.2(b)(i) ( <i>ISDA Determination for Floating Rate Covered Bonds</i> ); |
| <b>"ISDA Master Agreement"</b> | The 1992 ISDA Master Agreement (Multicurrency - Cross Border), as published by ISDA;   |
| <b>"ISDA Rate"</b>             | The meaning given in Condition 4.2(b)(i) ( <i>ISDA Determination for Floating Rate Covered Bonds</i> );  |
| <b>"Issue Date"</b>            | Each date on which the Issuer issues a Tranche of Covered Bonds under the Programme, as specified in the applicable Final Terms Document;  |
| <b>"Issue Price"</b>           | The price, generally expressed as a percentage of the nominal amount of the Covered Bonds, at which a Series or Tranche of Covered Bonds will be issued;   |
| <b>"Issuer"</b>                | Santander UK plc;  |
| <b>"Issuer Call"</b>           | The meaning given in Condition 6.4 ( <i>Redemption at the option of the Issuer ("Issuer Call")</i> );  |
| <b>"Italian Banking Act"</b>   | Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993 of the Republic of Italy, as amended;   |
| <b>"Late Payment"</b>          | The meaning given in Condition 6.12 ( <i>Late Payment</i> );   |
| <b>"Latest Valuation"</b>      | In relation to any Property, the value given to that Property by the most recent Valuation Report addressed to the Seller;   |
| <b>"LCR"</b>                   | Liquidity Coverage Ratio;  |
| <b>"Ledger"</b>                | Each of the Revenue Ledger, the Principal Ledger, the Reserve Ledger, the Supplemental Liquidity Reserve Ledger, the Capital Account Ledger and the Payment Ledger;  |
| <b>"Lending Criteria"</b>      | The lending criteria of the Seller from time to time, or such other criteria as would be acceptable to a Reasonable, Prudent Mortgage Lender;  |
| <b>"LIBOR"</b>                 | London inter-bank offered rate;  |
| <b>"Liquidation Member"</b>    | Abbey Covered Bonds (LM) Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 5365645);   |

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| <b>"LLP"</b>                        | Abbey Covered Bonds LLP, a limited liability partnership incorporated in England and Wales (registered no. OC312644);  |
| <b>"LLPA"</b>                       | Limited Liability Partnerships Act 2000;   |
| <b>"LLP Acceleration Notice"</b>    | A notice in writing given by the Bond Trustee to the Issuer and the LLP, that each Covered Bond of each Series is, and each Covered Bond of each Series shall, as against the Issuer (if not already due and repayable against it following an Issuer Acceleration Notice) and as against the LLP, thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest and 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 and in accordance with the Trust Deed and thereafter the Security shall become enforceable, if any of the LLP Events of Default shall occur and be continuing; |
| <b>"LLP Accounts"</b>               | The GIC Account and any additional or replacement accounts opened in the name of the LLP, including each Swap Payments Account and each Swap Collateral Account;   |
| <b>"LLP Deed"</b>                   | The limited liability partnership deed entered into on the Programme Date between the LLP, the Seller, the Liquidation Member, the Bond Trustee and the Security Trustee (as amended and/or supplemented and/or restated from time to time);   |
| <b>"LLP Event of Default"</b>       | The meaning given in Condition 9.2 ( <i>LLP Events of Default</i> );   |
| <b>"LLP Management Board"</b>       | The management board which will act on behalf of the LLP and to which (other than any decision to approve the audited accounts of the LLP or to make a resolution for the voluntary winding-up of the LLP, which require a unanimous decision of the Members) the Members delegate all matters relating to the business of the LLP and its management;   |
| <b>"LLP Payment Date"</b>           | The 12th day of each month or if not a London Business Day the next following London Business Day;   |
| <b>"LLP Payment Period"</b>         | The period from (and including) an LLP Payment Date to (but excluding) the next following LLP Payment Date;  |
| <b>"LLP Standard Variable Rate"</b> | The standard variable rate applicable to Loans in the Portfolio as set, other than in limited circumstances, by the Servicer pursuant to the Servicing Agreement;  |
| <b>"Loan"</b>                       | Each mortgage loan referenced by its mortgage loan identifier number and comprising the aggregate of all   |

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|  | principal sums, interest, costs, charges, expenses and other monies (including all Further Advances and Flexible Loan Drawings) due or owing with respect to that mortgage loan under the relevant Mortgage Terms by a Borrower on the security of a Mortgage from time to time outstanding or, as the context may require, the Borrower's obligations in respect of the same;   |
| <b>"Loan Repurchase Notice"</b>                        | A notice in substantially the form set out in the Mortgage Sale Agreement served by the LLP on the Seller in relation to the repurchase of Loans in the Portfolio by the Seller in accordance with the terms of the Mortgage Sale Agreement;   |
| <b>"Loan-to-Value Ratio"</b>                           | The ratio of the outstanding balance of a Loan to the value of the Property securing that Loan;  |
| <b>"London Business Day" or "LBD"</b>                  | A day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London;  |
| <b>"London Stock Exchange"</b>                         | London Stock Exchange plc;   |
| <b>"Long Maturity Covered Bond"</b>                    | 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 <b>provided that</b> 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; |
| <b>"Mandatory Transfer Termination Event"</b>          | Shall occur if the Conditional Purchaser has purchased an interest in all the Money Market Covered Bonds of the relevant Series of Covered Bonds;  |
| <b>"Margin"</b>  | In respect of a Floating Rate Covered Bond, the percentage rate per annum (if any) specified in the applicable Final Terms Document;   |
| <b>"Master Definitions and Construction Agreement"</b> | The master definitions and construction agreement made between the parties to the Transaction Documents on or about the Programme Date (as the same may be amended and/or supplemented and/or restated from time to time);   |
| <b>"Maximum Rate of Interest"</b>                      | In respect of Floating Rate Covered Bonds, the percentage rate per annum (if any) specified in the applicable Final Terms Document;  |
| <b>"Maximum Redemption Amount"</b>                     | The amount specified as such in the applicable Final Terms Document;   |
| <b>"MCOB"</b>  | Mortgages and Home Finance: Conduct of Business Sourcebook, published by the FCA, as amended;  |
| <b>"Member"</b>  | Each member of the LLP;  |



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| <b>"MH/CP Documentation"</b>                        | An affidavit, declaration, consent or renunciation granted in terms of the Matrimonial Homes (Family Protection) (Scotland) Act 1981 and/or (where applicable) the Civil Partnership Act 2004 in connection with a Mortgage over a Property in Scotland or the Property secured thereby;  |
| <b>"Minimum Rate of Interest"</b>                   | In respect of Floating Rate Covered Bonds, the percentage rate per annum (if any) specified in the applicable Final Terms Document;   |
| <b>"Minimum Redemption Amount"</b>                  | The amount specified as such in the applicable Final Terms Document;  |
| <b>"Modified Following Business Day Convention"</b> | The meaning given in Condition 4.5(b)(iii) ( <i>Business Day, Business Day Convention, Day Count Fractions and other adjustments</i> );   |
| <b>"Money Market Covered Bonds"</b>                 | Covered Bonds which are intended to be "Eligible Securities" within the meaning of Rule 2a-7 under the Investment Company Act;  |
| <b>"Monthly Asset Coverage Report"</b>              | The report substantially in the form set out in Schedule 3 to the Cash Management Agreement;  |
| <b>"Monthly Payment"</b>                            | The amount which the relevant Mortgage Terms require a Borrower to pay on each Monthly Payment Day in respect of that Borrower's Loan;  |
| <b>"Monthly Payment Day"</b>                        | The date on which interest (and principal in relation to a repayment mortgage) is due to be paid by a Borrower on a Loan or, if any such day is not a London Business Day, the next following London Business Day;  |
| <b>"Moody's"</b>                                    | Moody's Investors Service Limited or its successors;  |
| <b>"Mortgage"</b>                                   | The legal charge, mortgage, standard security or charge securing a Loan;  |
| <b>"Mortgage Account"</b>                           | The mortgage account into which all Loans secured on the same Property will be incorporated;  |
| <b>"Mortgage Conditions"</b>                        | The terms and conditions applicable to the Loans as contained in the Seller's " <b>Mortgage Conditions</b> " booklets for England and Wales, Northern Ireland or Scotland applicable from time to time (or the equivalent documentation published by a New Seller);   |
| <b>"Mortgage Pool"</b>                              | The mortgages owned from time to time by the LLP;   |
| <b>"Mortgage Sale Agreement"</b>                    | The mortgage sale agreement entered into on the Programme Date between the Seller, the LLP and the Security Trustee (as amended and/or supplemented and/or restated from time to time) and, where the context so requires, including any New Mortgage Sale Agreement entered into from time to time between any New Seller, the LLP and the Security Trustee; |

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| <b>"Mortgage Terms"</b>                     | All of the terms and conditions applicable to a Loan, including, without limitation, the applicable Mortgage Conditions and Offer Conditions;   |
| <b>"N Covered Bonds"</b>                    | The meaning given on page 12;   |
| <b>"N Covered Bond Conditions"</b>          | The terms and conditions of each N Covered Bond annexed thereto as Schedule 1;  |
| <b>"N(M)"</b>                               | The date on which the FSMA regime relating to the regulation of mortgages came into effect, 31 October 2004;  |
| <b>"Nationwide Price Index"</b>             | The index of movements in house prices issued by Nationwide Building Society in relation to residential properties in the United Kingdom;   |
| <b>"Nationwide Price Indexed Valuation"</b> | 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 Nationwide Price Index since the date of that Latest Valuation;   |
| <b>"Negative Carry Factor"</b>              | The meaning given on page 195;  |
| <b>"New Global Covered Bond"</b>            | A Temporary Global Covered Bond in the form set out in Part 1 of Schedule 2 to the Trust Deed or a Permanent Global Covered Bond in the form set out in Part 2 of Schedule 2 to the Trust Deed, in either case where the applicable Final Terms Document specifies that the Covered Bonds are in NGCB form;   |
| <b>"New Loan"</b>                           | Loans, other than the Loans comprised in the Initial Portfolio, which the Seller may assign or transfer to the LLP after the First Assignment Date pursuant to the Mortgage Sale Agreement;   |
| <b>"New Loan Type"</b>                      | A new type of mortgage loan originated by the Seller or a New Seller, which the Seller or the New Seller intends to transfer to the LLP, the terms and conditions of which are materially different (in the opinion of the Seller or the New Seller, acting reasonably) from any of the Loans or New Seller Loans in the Portfolio. For the avoidance of doubt, a mortgage loan will not constitute a New Loan Type if it differs from any of the Loans or New Seller Loans in the 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, cashbacks and/or rate guarantees; |
| <b>"New Member"</b>                         | Any new member admitted to the LLP after the Programme Date;  |
| <b>"New Mortgage Sale Agreement"</b>        | Any new mortgage sale agreement entered into between any New Seller, the LLP and the Security Trustee (as amended and/or supplemented and/or restated from time to time), which shall be substantially in the same form and contain substantially the same provisions as the mortgage   |

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|   | sale agreement entered into on the Programme Date between the Seller, the LLP and the Security Trustee (as amended and/or supplemented and/or restated from time to time);  |
| <b>"New Portfolio"</b>                          | The meaning given on page 243;  |
| <b>"New Portfolio Notice"</b>                   | A notice in the form set out in the Mortgage Sale Agreement served in accordance with the terms of the Mortgage Sale Agreement;   |
| <b>"New Seller"</b>                             | Any member of the Enlarged Santander UK Group (other than Santander UK) that accedes to the relevant Transaction Documents and sells New Seller Loans and their Related Security to the LLP in the future pursuant to a New Mortgage Sale Agreement;  |
| <b>"New Seller Loans"</b>                       | Loans originated by a New Seller;   |
| <b>"NGCB"</b>                                   | New global covered bond;  |
| <b>"NIBOR"</b>                                  | Norwegian inter-bank offered rate;  |
| <b>"Non-Forward Starting Covered Bond Swap"</b> | Each transaction between the LLP, the relevant Covered Bond Swap Provider and the Security Trustee in respect of a Series or Tranche, as applicable, of Covered Bonds which provides a hedge against certain interest rate, currency and/or other risks in respect of amounts received by the LLP under the Loans in the Portfolio and any relevant Interest Rate Swaps and amounts payable by the LLP under the Intercompany Loan Agreement (prior to service of a Notice to Pay or service of an LLP Acceleration Notice) and under the Covered Bond Guarantee in respect of Covered Bonds (after service of a Notice to Pay or service of an LLP Acceleration Notice); |
| <b>"Northern Irish Loan"</b>                    | A Loan secured by a Mortgage over a Property in Northern Ireland;   |
| <b>"Notice to Pay"</b>                          | The meaning given in Condition 9.1 ( <i>Issuer Events of Default</i> );   |
| <b>"NSFR"</b>                                   | Net Stable Funding Ratio;   |
| <b>"Offer Conditions"</b>                       | The terms and conditions applicable to a specified Loan as set out in the relevant offer letter to the Borrower;  |
| <b>"Official List"</b>                          | Official List of the FCA;   |
| <b>"OFT"</b>                                    | Office of Fair Trading;   |
| <b>"Omnibus Proxy"</b>                          | The omnibus proxy mailed by DTC to the Issuer as soon as possible after the record date in accordance with DTC's usual procedures;  |
| <b>"Optional Redemption Amount"</b>             | The meaning (if any) given in the applicable Final Terms Document;  |

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| <b>"Optional Redemption Date"</b>              | The meaning (if any) given in the applicable Final Terms Document;  |
| <b>"Original Due for Payment Date"</b>         | The meaning given in paragraph (a) of the definition of Due for Payment;  |
| <b>"OTC derivatives"</b>                       | Over-the-counter derivatives;   |
| <b>"Outstanding Principal Balance"</b>         | <p>In relation to any Loan at any date (the "<b>determination date</b>"), the aggregate at such date (but avoiding double counting) of:</p> <ul style="list-style-type: none"> <li>(a) the Initial Advance;</li> <li>(b) Capitalised Expenses;</li> <li>(c) Capitalised Interest;</li> <li>(d) Capitalised Arrears; and</li> <li>(e) Further Advances and/or Flexible Loan Drawings,</li> </ul> <p>in each case relating to such Loan less any prepayment, repayment or payment of any of the foregoing made on or prior to the determination date;</p> |
| <b>"Partial Portfolio"</b>                     | Part of any portfolio of Selected Loans;  |
| <b>"Paying Agents"</b>                         | The Principal Paying Agent and any other paying agent appointed pursuant to the terms of the Agency Agreement;  |
| <b>"Payment Day"</b>                           | The meaning given in Condition 5.6 ( <i>Payment Day</i> );  |
| <b>"Payment Holiday"</b>                       | A period during which a Borrower may suspend payments under a Loan where the Borrower is permitted under the relevant Mortgage Terms to do so and will not therefore be in breach of the relevant Mortgage Terms;   |
| <b>"Payment Ledger"</b>                        | The ledger on the GIC Account 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;   |
| <b>"Permanent Global Covered Bond"</b>         | The meaning given on page 88;   |
| <b>"Portfolio"</b>                             | The Initial Portfolio and each New Portfolio acquired by the LLP but excluding Loans which have been redeemed in full or repurchased by the Seller or a New Seller or otherwise sold by the LLP;  |
| <b>"Post-Enforcement Priority of Payments"</b> | The meaning given on page 223;  |
| <b>"Post-Perfection SVR-SONIA Margin"</b>      | The amount as specified in the relevant Final Terms Document (which is anticipated to be 3.10 per cent.);   |
| <b>"Postponed Deferred Consideration"</b>      | Deferred Consideration the payment of which is, by reason of the application thereto of the proviso as to Available Revenue Receipts and/or the making of   |

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|  | provisions as referred to in the Mortgage Sale Agreement, postponed from the date on which such Deferred Consideration would, but for such application, have been paid;   |
| <b>"Potential Issuer Event of Default"</b>               | The meaning given in Condition 14 ( <i>Meetings of Covered Bondholders, Modification, Waiver and Substitution</i> );  |
| <b>"Potential LLP Event of Default"</b>                  | The meaning given in Condition 14 ( <i>Meetings of Covered Bondholders, Modification, Waiver and Substitution</i> );  |
| <b>"PRA"</b>   | Prudential Regulation Authority;  |
| <b>"Pre-Acceleration Principal Priority of Payments"</b> | The meaning given on page 217;  |
| <b>"Pre-Acceleration Priority of Payments"</b>           | The Pre-Acceleration Principal Priority of Payments or the Pre-Acceleration Revenue Priority of Payments;   |
| <b>"Pre-Acceleration Revenue Priority of Payments"</b>   | The meaning given on page 214;  |
| <b>"Preceding Business Day Convention"</b>               | The meaning given in Condition 4.5(b)(iv) ( <i>Business Day, Business Day Convention, Day Count Fractions and other adjustments</i> );  |
| <b>"Pre-Maturity Liquidity Ledger"</b>                   | The ledger on the GIC 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 failed;   |
| <b>"Pre-Maturity Test"</b>                               | The meaning given on page 211;  |
| <b>"Pre-Maturity Test Date"</b>                          | The meaning given on page 211;  |
| <b>"Pricing Supplement"</b>                              | The document prepared in connection with the offer and sale of Rule 144A Covered Bonds, which includes such pricing and other necessary information (including, without limitation and if appropriate, financial or other disclosure relating to the Issuer) substantially in the form of Appendix 7 to the Programme Agreement;                                      |
| <b>"Principal Amount Outstanding"</b>                    | In accordance with Condition 4.5(g) ( <i>Business Day, Business Day Convention, Day Count Fractions and other adjustments</i> ), 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; |
| <b>"Principal Ledger"</b>                                | The ledger on the GIC Account of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record the credits and debits of Principal Receipts in accordance with the terms of the LLP Deed;  |

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| <b>"Principal Paying Agent"</b> | Deutsche Bank AG, London Branch, and any successor principal paying agent;  |
| <b>"Principal Receipts"</b>     | Any payment received in respect of principal in respect of any Loan (including payments pursuant to any Insurance Policies), whether as all or part of a Monthly Payment in respect of such Loan, on redemption (including partial redemption) of such Loan, on enforcement of such Loan (including the proceeds of sale of the relevant Property) or on the disposal of such Loan or otherwise (without double counting but including principal received or treated as received after completion of the enforcement procedures);   |
| <b>"Priorities of Payments"</b> | The orders of priority for the allocation and distribution of amounts standing to the credit of the LLP Accounts in different circumstances;  |
| <b>"Product Switch"</b>         | A variation to the financial terms and conditions applicable to a Loan other than: <ul style="list-style-type: none"> <li>(a) any variation agreed with a Borrower to control or manage arrears on the Loan;</li> <li>(b) any variation in the term of the Loan;</li> <li>(c) any variation imposed by statute;</li> <li>(d) any variation of the principal available and/or the rate of interest payable in respect of the Loan where that variation or rate is offered to the Borrowers under Loans which constitute 10 per cent. or more by outstanding principal amount of Loans comprised in the Portfolio in any LLP Payment Period; or</li> <li>(e) any variation in the frequency with which the interest payable in respect of the Loan is charged;</li> </ul> |
| <b>"Programme"</b>              | The global covered bond programme established by the Issuer on the Programme Date (as updated, supplemented, amended and/or increased from time to time since the Programme Date);  |
| <b>"Programme Agreement"</b>    | The programme agreement entered into on the Programme Date between, among others, the Issuer, the LLP and the Dealers (as amended and/or supplemented and/or restated from time to time);   |
| <b>"Programme Date"</b>         | 3 June 2005;  |
| <b>"Programme Resolution"</b>   | Any Extraordinary Resolution to direct the Bond Trustee to accelerate the Covered Bonds pursuant to Condition 9 ( <i>Events of Default, Acceleration and Enforcement</i> ) or to direct the Bond Trustee or the Security Trustee to take any enforcement action pursuant to Condition 9 ( <i>Events of Default, Acceleration and Enforcement</i> );   |

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| <b>"Property"</b>                            | (In England and Wales) freehold or leasehold property or (in Northern Ireland) freehold or leasehold property or property held under a fee farm grant or (in Scotland) a heritable property or a property held under a long lease which is subject to a Mortgage;  |
| <b>"Prospectus Regulation"</b>               | Regulation (EU) 2017/1129;   |
| <b>"Purchaser"</b>                           | Any third party or the Seller to whom the LLP offers to sell Selected Loans;   |
| <b>"Put Notice"</b>                          | The meaning given in Condition 6.5 ( <i>Redemption at the option of the Covered Bondholders ("Investor Put")</i> );  |
| <b>"QIB"</b>                                 | A "qualified institutional buyer" within the meaning of Rule 144A;   |
| <b>"Rate of Interest"</b>                    | In respect of a Series of interest-bearing Covered Bonds, the rate of interest payable from time to time in respect of such Covered Bonds determined in accordance with the Terms and Conditions and the applicable Final Terms Document;  |
| <b>"Rating Agencies"</b>                     | At any time, the rating agencies then rating the relevant Series of Covered Bonds, being in respect of the Covered Bonds issued on or after the date of this Prospectus two or three of S&P, Fitch and Moody's (each a " <b>Rating Agency</b> ") and in respect of any Series of Covered Bonds issued prior to 25 June 2014, each of S&P, Fitch and Moody's; |
| <b>"Rating Agency Confirmation"</b>          | A confirmation in writing by the Rating Agencies 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;  |
| <b>"Ratings Modification Event"</b>          | Each of an Existing Rating Agency Removal and an Existing Rating Agency Reappointment;   |
| <b>"RCB Regulations"</b>                     | The Regulated Covered Bonds Regulations 2008 (SI 2008/346) as amended from time to time;   |
| <b>"RCB Sourcebook"</b>                      | The FCA Regulated Covered Bonds Sourcebook 2008 as amended from time to time;  |
| <b>"Reasonable, Prudent Mortgage Lender"</b> | A lender acting within the policy applied by the Seller and/or the Servicer, as applicable, from time to time to the originating, underwriting and servicing of mortgage loans beneficially owned by the Seller outside the Mortgage Pool;   |
| <b>"Receiptholders"</b>                      | The holders of the Receipts;   |
| <b>"Receipts"</b>                            | Receipts for the payment of instalments of principal (other than the final instalment) attached on issue to Bearer Definitive Covered Bonds repayable in instalments;  |
| <b>"Receiver"</b>                            | Any person or persons appointed (and any additional person or persons appointed or substituted) as an  |

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|   | administrative receiver, receiver, manager, or receiver and manager of the Charged Property by the Security Trustee pursuant to the Deed of Charge;  |
| <b>"Record Date"</b>                        | The meaning given in Condition 5.4 ( <i>Payments in respect of Registered Covered Bonds</i> );   |
| <b>"Redeemed Covered Bonds"</b>             | The meaning given in Condition 6.4 ( <i>Redemption at the option of the Issuer ("Issuer Call")</i> );  |
| <b>"Reference Indexed Valuation"</b>        | The Halifax Price Indexed Valuation or, where notified to Covered Bondholders in an Investor Report, the Nationwide Price Indexed Valuation;   |
| <b>"Reference Price"</b>                    | In respect of a Zero Coupon Covered Bond, the meaning given in the applicable Final Terms Document;  |
| <b>"Reference Rate"</b>                     | In respect of Floating Rate Covered Bonds to which Screen Rate Determination applies, the meaning given in the applicable Final Terms Document;  |
| <b>"Register"</b>                           | The register of holders of the Registered Covered Bonds maintained by the Registrar;   |
| <b>"Registered Covered Bond"</b>            | A Covered Bond in registered form;   |
| <b>"Registered Definitive Covered Bond"</b> | A Registered Covered Bond in definitive form issued or, as the context 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 Document), such Registered Covered Bond in definitive form being substantially in the form set out in Part 9 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 Terms and Conditions endorsed thereon or, if permitted by the relevant stock exchange, incorporating the Terms and Conditions by reference (where applicable to the Trust Deed) as indicated in the applicable Final Terms Document and having the relevant information supplementing, replacing or modifying the Terms and Conditions appearing in the applicable Final Terms Document endorsed thereon or attached thereto and having a form of transfer endorsed thereon; |
| <b>"Registered Global Covered Bonds"</b>    | Global Covered Bonds in registered form, comprising Rule 144A Global Covered Bonds and Regulation S Global Covered Bonds;  |
| <b>"Registered Land"</b>                    | In the case of England and Wales, land the title to which is, or is required to be, registered at the Land Registry and, in the case of Northern Ireland, land the title to which is, or is required to be, registered at the Land Registry of Northern Ireland;   |



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| <b>"Registers of Scotland"</b>            | The Land Register of Scotland and the General Register of Sasines;   |
| <b>"Registrar"</b>                        | Deutsche Bank Trust Company Americas, in its capacity as registrar (and any successor registrar);  |
| <b>"Regulated Covered Bonds"</b>          | Covered Bonds that have been admitted to the register of regulated covered bonds maintained by the FCA pursuant to Regulation 7(1)(b) of the RCB Regulations;  |
| <b>"Regulated Mortgage Contract"</b>      | <p>The meaning given under the FSMA (with effect from N(M)); a contract is a regulated mortgage contract if, at the time it is entered into on or after N(M):</p> <ul style="list-style-type: none"> <li>(a) the borrower is an individual or trustee;</li> <li>(b) the contract provides for the obligation of the borrower to repay to be secured by (in England and Wales) a first ranking legal mortgage or (in Northern Ireland) a first ranking legal charge or first ranking legal mortgage or (in Scotland) a first ranking standard security on land (other than timeshare accommodation) in the U.K.; and</li> <li>(c) at least 40 per cent. of that land is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust, or by a related person;</li> </ul> |
| <b>"Regulation S"</b>                     | Regulation S under the Securities Act;   |
| <b>"Regulation S Covered Bond"</b>        | A Covered Bond represented by a Regulation S Global Covered Bond or a Definitive Regulation S Covered Bond;  |
| <b>"Regulation S Global Covered Bond"</b> | A Registered Global Covered Bond representing Covered Bonds sold to non-U.S. persons outside the United States in reliance on Regulation S;  |
| <b>"Related Security"</b>                 | 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;   |
| <b>"Relevant Date"</b>                    | The meaning given in Condition 7 ( <i>Taxation</i> );  |
| <b>"Relevant Period"</b>                  | The meaning given in Condition 14 ( <i>Meetings of Covered Bondholders, Modification, Waiver and Substitution</i> );   |
| <b>"Relevant Screen Page"</b>             | In respect of Floating Rate Covered Bonds to which Screen Rate Determination applies, the meaning given in the Final Terms Document;   |
| <b>"Remarketing Agreement"</b>            | The meaning given on page 259;   |

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| <b>"Remarketing Bank"</b>                              | The meaning given on page 259;   |
| <b>"Remarketing Period"</b>                            | In respect of each Transfer Date (as specified in the applicable Final Terms Document), the period from and including the 15th Business Day prior to such Transfer Date through and including the 10th Business Day prior to such Transfer Date, unless otherwise specified in the applicable Final Terms Document;  |
| <b>"Representations and Warranties"</b>                | The representations and warranties set out in the Mortgage Sale Agreement;   |
| <b>"Required Outstanding Principal Balance Amount"</b> | The meaning given on page 198;   |
| <b>"Required Redemption Amount"</b>                    | The meaning given on page 199;   |
| <b>"Reserve Fund"</b>                                  | The reserve fund that the LLP will be required to establish on the GIC Account which will be credited with Available Revenue Receipts up to an amount equal to the Reserve Fund Required Amount and any Cash Capital Contributions made to the LLP by the Seller which the Seller directs the LLP to credit thereto;   |
| <b>"Reserve Fund Required Amount"</b>                  | On an LLP Payment Date, if the Issuer's short-term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least A-1+ by S&P and F1 by Fitch and P-1 by Moody's, and the Issuer's long-term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least A by Fitch, nil or such other amount as Santander UK shall direct the LLP from time to time and otherwise, an amount equal to the Sterling Equivalent of the interest falling due on each Series of Covered Bonds in the next following three month period together with an amount equal to the anticipated amounts payable in respect of the items specified in paragraphs (a) and (b) of the Pre-Acceleration Revenue Priority of Payments falling due in the next following three month period plus £600,000 <b>provided that</b> in determining the amount of the Reserve Fund Required Amount, where any amount in respect of the Covered Bonds or Covered Bond Swap Agreements is determined by reference to a floating rate, then (i) (unless the floating rate is determined by reference to a compounded daily SONIA rate) the interest rate for the purpose of such calculation shall be the then current floating rate as at the date on which the amount is calculated or (ii) (if the floating rate is determined by reference to a compounded daily SONIA rate), the interest rate for the purpose of such calculation shall be deemed to be equal to the sum of (x) the SONIA Spot Rate published on the date on which the amount is calculated (or, if such day is not a London Business Day, on the immediately preceding London Business Day), compounded daily over the relevant period and (y) the Margin or the margin in relation to the Covered Bond Swaps, as applicable, for such period, or such higher amount |

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|  | as Santander UK shall direct the LLP from time to time;   |
| <b>"Reserve Ledger"</b>                | The ledger on the GIC Account of such name maintained by the Cash Manager pursuant to the Cash Management Agreement, to record the crediting of Revenue Receipts and (if so directed by the Seller) Cash Capital Contributions to the Reserve Fund and the debiting of such Reserve Fund in accordance with the terms of the LLP Deed;  |
| <b>"Reset Date"</b>                    | The meaning given in the ISDA Definitions;  |
| <b>"Responsible Persons"</b>           | The meaning given on page iii;  |
| <b>"Revenue Ledger"</b>                | The ledger on the GIC Account 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;   |
| <b>"Revenue Receipts"</b>              | Any payment received in respect of any Loan, including payments pursuant to any Insurance Policies and any payment received from the Seller in respect of a Payment Holiday or in respect of interest amounts on a Loan (otherwise than in respect of a Loan that has been repurchased by the Seller), whether as all or part of a Monthly Payment in respect of such Loan, on redemption (including partial redemption) of such Loan, on enforcement of such Loan (including the proceeds of sale of the relevant Property) or on the disposal of such Loan or otherwise, which in any such case is not a Principal Receipt in respect of such Loan; |
| <b>"Reward Cashback"</b>               | An amount that the Seller has agreed to pay to a Borrower under a Loan at periodic intervals whilst such Loan is outstanding;   |
| <b>"Reward Loan"</b>                   | A Loan which includes a Reward Cashback;  |
| <b>"RNS website"</b>                   | The regulatory information service on the website of the London Stock Exchange;   |
| <b>"Rule 144A"</b>                     | Rule 144A under the Securities Act;   |
| <b>"Rule 144A Covered Bond"</b>        | A Covered Bond represented by a Rule 144A Global Covered Bond or a Definitive Rule 144A Covered Bond;   |
| <b>"Rule 144A Global Covered Bond"</b> | A Registered Global Covered Bond representing Covered Bonds sold in the United States to QIBs in reliance on Rule 144A;   |
| <b>"S&amp;P"</b>                       | S&P Global Ratings Europe Limited or its successors;  |
| <b>"Santander UK"</b>                  | Santander UK plc;   |
| <b>"Santander UK Group"</b>            | Santander UK and its Subsidiaries collectively;   |

**"Scheduled Interest"**

In relation to a Series of Covered Bonds, an amount equal to the amount in respect of interest which is or would have been due and payable under such Covered Bonds on each Interest Payment Date as specified in Condition 4 (*Interest*) (but excluding any additional amounts relating to premiums, default interest or interest upon interest ("**Excluded Scheduled Interest Amounts**") payable by the Issuer following service of an Issuer Acceleration Notice, but including such amounts (whenever the same arose) following service of an LLP Acceleration Notice), as if such Covered Bonds had not become due and repayable prior to their Final Maturity Date and (if the applicable Final Terms Document specified that an Extended Due for Payment Date is applicable to the relevant Covered Bonds) as if the maturity date of the Covered Bonds had been the Extended Due for Payment Date (but taking into account any principal repaid in respect of such Covered Bonds or any Guaranteed Amounts paid in respect of such principal prior to the Extended Due for Payment Date) or, where applicable, after the Final Maturity Date, such other amount of interest as may be specified in the applicable Final Terms Document 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*);

**"Scheduled Payment Date"**

In relation to payments under the Covered Bond Guarantee in respect of a Series of Covered Bonds, each Interest Payment Date or the Final Maturity Date as if such Covered Bonds had not become due and repayable prior to their Final Maturity Date;

**"Scheduled Principal"**

In relation to a Series of Covered Bonds, an amount equal to the amount in respect of principal which is or would have been due and repayable under such Covered Bonds on each Interest Payment Date or the Final Maturity Date (as the case may be) as specified in Condition 6.1 (*Final redemption*) and Condition 6.8 (*Early Redemption Amounts*) (but excluding any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, premiums or default interest ("**Excluded Scheduled Principal Amounts**") payable by the Issuer following service of an Issuer Acceleration Notice, but including such amounts (whenever the same arose) following service of an LLP Acceleration Notice), as if such Covered Bonds had not become due and repayable prior to their Final Maturity Date and (if the Final Terms Document specified that an Extended Due for Payment Date is applicable to such relevant Covered Bonds) as if the maturity date of such Covered Bonds had been the Extended Due for Payment Date;

**"Scottish Declaration of Trust"**

Each declaration of trust in relation to Scottish Loans and their Related Security made pursuant to the Mortgage Sale Agreement by means of which the

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|  | transfer of the beneficial interest in such Scottish Loans and their Related Security by the Seller to the LLP is given effect;   |
| <b>"Scottish Loan"</b>                   | A Loan secured over a Property located in Scotland;   |
| <b>"Scottish Mortgage"</b>               | A standard security granted in security for a Loan in Scotland;   |
| <b>"Scottish Sub-Security"</b>           | Each standard security granted by the LLP in favour of the Security Trustee pursuant to the Deed of Charge;   |
| <b>"Scottish Supplemental Charge"</b>    | Each assignment in security governed by Scots law granted by the LLP in favour of the Security Trustee pursuant to the Deed of Charge;  |
| <b>"Screen Rate Determination"</b>       | If specified as applicable in the applicable Final Terms Document, the manner in which the Rate of Interest on Floating Rate Covered Bonds is to be determined in accordance with Condition 4.2(b)(ii) ( <i>Screen Rate Determination for Floating Rate Covered Bonds</i> );  |
| <b>"Secured Creditors"</b>               | The Security Trustee (in its own capacity and on behalf of the other Secured Creditors), the Bond Trustee (in its own capacity and on behalf of the Covered Bondholders), the Covered Bondholders, the Receiptholders, the Couponholders, the Issuer, the Seller, the Servicer, the Account Bank, the GIC Provider, 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; |
| <b>"Securities Act"</b>                  | U.S. Securities Act of 1933, as amended;  |
| <b>"Securities and Exchange Law"</b>     | The Securities and Exchange Law of Japan;   |
| <b>"Security"</b>                        | The meaning given on page 208;  |
| <b>"Security Trustee"</b>                | Deutsche Trustee Company Limited, in its capacity as security trustee under the Trust Deed and the Deed of Charge together with any successor security trustee appointed from time to time;   |
| <b>"Selected Loan Offer Notice"</b>      | A notice from the LLP served on the Seller offering to sell Selected Loans and their Related Security for an offer price equal to the greater of the then Outstanding Principal Balance of the Selected Loans and the Adjusted Required Redemption Amount;  |
| <b>"Selected Loan Repurchase Notice"</b> | A notice from the Seller served on the LLP accepting an offer set out in a Selected Loan Offer Notice;  |
| <b>"Selected Loans"</b>                  | Loans and their Related Security to be sold by the LLP pursuant to the terms of the LLP Deed or the Mortgage Sale Agreement having in aggregate the Required Outstanding Principal Balance Amount;  |

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| <b>"Selection Date"</b>         | The meaning given in Condition 6.4 ( <i>Redemption at the option of the Issuer ("Issuer Call")</i> );  |
| <b>"Seller"</b>                 | Santander UK;  |
| <b>"Series"</b>                 | 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 and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices;   |
| <b>"Series Reserved Matter"</b> | <p>In relation to Covered Bonds of a Series:</p> <ul style="list-style-type: none"> <li>(a) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable (except, for the avoidance of doubt, (i) a Base Rate Modification in respect of Covered Bonds issued after 30 April 2021 or (ii) a Benchmark Transition Event in respect of Covered Bonds issued after 30 April 2021) 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 other than in accordance with the terms thereof;</li> <li>(b) alteration of the currency in which payments under the Covered Bonds, Receipts and Coupons are to be made;</li> <li>(c) alteration of the majority required to pass an Extraordinary Resolution;</li> <li>(d) any amendment to the 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 or an amendment which is in the sole opinion of the Bond Trustee or the Security Trustee (as the case may be) of a formal, minor or technical nature or to correct a manifest error or an error which is, in the sole opinion of the Bond Trustee or the Security Trustee (as the case may be) proven or is to comply with mandatory provisions of law);</li> <li>(e) the sanctioning of any such scheme or proposal for the exchange or sale of the Covered Bonds 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</li> </ul> |

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|                                     | <p>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</p> <p>(f) alteration of the proviso to paragraph 5 or paragraph 6 of Schedule 4 to the Trust Deed;</p> |
| <b>"Servicer"</b>                   | Santander UK in its capacity as servicer under the Servicing Agreement (and any successor servicer);   |
| <b>"Servicer Event of Default"</b>  | The meaning given on page 189;   |
| <b>"Servicer Termination Event"</b> | The meaning given on page 189;   |
| <b>"Servicing Agreement"</b>        | The servicing agreement entered into on the Programme Date between the LLP, the Servicer and the Security Trustee (as amended and/or supplemented and/or restated from time to time);  |
| <b>"Share Trustee"</b>              | Wilmington Trust SP Services (London) Limited in its capacity as share trustee (and any successor share trustee);  |
| <b>"SMEs"</b>                       | Small and Medium Enterprises;  |
| <b>"SOFR"</b>                       | The meaning given in Condition 4.2(b)(ii) ( <i>Screen Rate Determination for Floating Rate Covered Bonds</i> );  |
| <b>"SONIA"</b>                      | Sterling Overnight Index Average benchmark risk-free rate administered by the Bank of England;   |
| <b>"SONIA Screen Page"</b>          | The Reuters Screen SONIA Page (or, if such page is no longer available, any replacement or successor page showing the relevant information);   |
| <b>"SONIA Spot Rate"</b>            | With respect to publication on any London Business Day, the daily Sterling Overnight Index Average (SONIA) published on such London Business Day (and relating to the immediately preceding London Business Day) as provided by the administrator of SONIA to authorised distributors and as then published on the SONIA Screen Page (or, if the SONIA Screen Page is unavailable, as otherwise published by such authorised distributors);  |
| <b>"Specified Currency"</b>         | Subject to any applicable legal or regulatory restrictions, euro, Sterling, U.S. Dollars, Swiss Francs 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  |

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|                                   | the Bond Trustee and specified in the applicable Final Terms Document;   |
| "Specified Denomination"          | The meaning given in the applicable Final Terms Document;  |
| "Specified Interest Payment Date" | In respect of Floating Rate Covered Bonds, the meaning (if any) given in the applicable Final Terms Document;  |
| "Specified Period"                | In respect of Floating Rate Covered Bonds, the meaning (if any) given in the applicable Final Terms Document;  |
| "Specified Time"                  | 11.00 am (Brussels time, in the case of a determination of EURIBOR or Oslo time, in the case of a determination of NIBOR);   |
| "Standard Documentation"          | The standard documentation, annexed as an exhibit to the Mortgage Sale Agreement or any update or replacement therefor as the Seller may from time to time introduce acting in accordance with the standards of a Reasonable, Prudent Mortgage Lender;   |
| "Standard Variable Rate"          | Abbey Standard Variable Rate and/or LLP Standard Variable Rate, as the context may require;  |
| "Sterling Equivalent"             | In relation to a Term Advance or a Series of Covered Bonds (including any calculations of the Required Redemption Amount of such Series of Covered Bonds) 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 to such Term Advance or the Term Advance applicable to such Series of Covered Bonds and (b) Sterling, the applicable amount in Sterling;   |
| "Subsidiary"                      | Any company which is for the time being a subsidiary within the meaning of section 1159 of the Companies Act 2006;   |
| "Substitution Assets"             | Each of: <ul style="list-style-type: none"> <li>(a) Sterling gilt-edged securities;</li> <li>(b) Sterling demand or time deposits, certificates of deposit, long-term debt obligations and short-term debt obligations <b>provided that</b> in all cases such investments have a remaining period to maturity of one year or less and the short-term, unsecured, unguaranteed and unsubordinated debt obligations or, as applicable, the long-term, unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) are rated at least P-1/Aa3 by Moody's, A-1+/AA- by S&amp;P and F1+/AA- by Fitch or their equivalents by three other</li> </ul> |



internationally recognised rating agencies;  
and

- (c) Sterling denominated government and public securities, as defined from time to time by the FCA, **provided that** such investments have a remaining period to maturity of one year or less and which are rated at least Aaa by Moody's, AAA by S&P and AAA by Fitch or their equivalents by three other internationally recognised rating agencies,

**provided that** such Substitution Assets comply with the requirements of Regulation 2(1)(a) of the RCB Regulations;

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| "sub-unit"                                | In accordance with Condition 4.5(a)(i) ( <i>Business Day, Business Day Convention, Day Count Fractions and other adjustments</i> ), 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;  |
| "Supplemental Liquidity Available Amount" | The meaning given on page 199;  |
| "Supplemental Liquidity Event"            | The meaning given on pages 198 and 211;   |
| "Supplemental Liquidity Reserve Amount"   | The meaning given on page 196;  |
| "Supplemental Liquidity Reserve Ledger"   | The meaning given on page 196;  |
| "SVR"                                     | The same meaning given to Standard Variable Rate;   |
| "Swap Agreements"                         | The Covered Bond Swap Agreements together with the Interest Rate Swap Agreement, and each a <b>"Swap Agreement"</b> ;   |
| "Swap Calculation Date"                   | In respect of a Swap Calculation Period, " <i>p</i> " London Business Days prior to the Swap Payment Date in respect of such Swap Calculation Period, where " <i>p</i> " means, for the relevant Swap Calculation Period, five London Business Days or such other period as otherwise agreed between the LLP and the Interest Rate Swap Provider;   |
| "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 in respect of 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 Accounts"                | Any account in the name of the LLP held with Santander UK plc (or any other Account Bank from time to time) into which collateral in respect of an Interest Rate Swap or a Covered Bond Swap may be   |

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|  | deposited in accordance with the terms of any such Swap;  |
| <b>"Swap Collateral Available Amounts"</b> | At any time, the amount of Swap Collateral which under the terms of the relevant Swap Agreement may be applied in satisfaction of the relevant Swap Provider's obligations to the LLP following termination of a Swap to the extent that such obligations relate to payments made in connection with the Pre-Acceleration Priority of Payments or the Guarantee Priority of Payments; |
| <b>"Swap Collateral Excluded Amounts"</b>  | 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 upon termination of the relevant Swap Agreement;  |
| <b>"Swap Payments Accounts"</b>            | Any account in the name of the LLP held with Santander UK plc (or any other Account Bank from time to time) through which payments under the Interest Rate Swaps or the Covered Bond Swaps will be made;  |
| <b>"Swap Provider Default"</b>             | The occurrence of an Event of Default (as defined in the relevant Swap Agreement) with respect to the relevant Swap Provider, where the relevant Swap Provider is the Defaulting Party (as defined in relevant Swap Agreement);   |
| <b>"Swap Provider Downgrade Event"</b>     | The occurrence of an Additional Termination Event (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;  |
| <b>"Swap Providers"</b>                    | The Covered Bond Swap Providers and the Interest Rate Swap Provider, and each a <b>"Swap Provider"</b> ;  |
| <b>"Swaps"</b>                             | The Covered Bond Swaps together with the Interest Rate Swaps, and each a <b>"Swap"</b> ;  |
| <b>"Talons"</b>                            | Talons for further Coupons in respect of interest-bearing Bearer Definitive Covered Bonds;  |
| <b>"TARGET2 System"</b>                    | In accordance with Condition 4.5(a)(ii) ( <i>Business Day, Business Day Convention, Day Count Fractions and other adjustments</i> ), the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System;   |
| <b>"Tax Credit"</b>                        | The meaning given in the relevant Swap Agreement;   |
| <b>"Taxes"</b>                             | All present and future taxes, levies, imposts, duties (other than stamp duty), fees, deductions, withholdings or charges of any nature whatsoever and wheresoever imposed, including, without limitation, income tax, corporation tax, VAT or other tax in respect of added value and any franchise, transfer, sales, gross receipts, use, business,                                  |

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|   | <p>occupation, excise, personal property, real property or other tax imposed by any national, local or supranational taxing or fiscal authority or agency together with any penalties, fines or interest thereon and "<b>Tax</b>" and "<b>Taxation</b>" shall be construed accordingly;</p>  |
| <b>"Temporary Global Covered Bond"</b>      | <p>A temporary bearer global covered bond without receipts or interest coupons attached initially representing each Tranche of Bearer Covered Bonds, unless otherwise specified in the applicable Final Terms Document;</p>  |
| <b>"Term Advance"</b>                       | <p>Each term advance made by the Issuer to the LLP from the proceeds of Covered Bonds pursuant to the Intercompany Loan Agreement;</p>   |
| <b>"Terms and Conditions or Conditions"</b> | <p>With the exception of the N Covered Bond Conditions, the terms and conditions of the Covered Bonds (as set out in Schedule 1 to the Trust Deed from time to time);</p>  |
| <b>"The Pensions Regulator"</b>             | <p>The Pensions Regulator established by the Pensions Act 2004;</p>  |
| <b>"Third Party Amounts"</b>                | <p>Each of:</p> <ul style="list-style-type: none"> <li>(a) payments of any High Loan-to-Value Fees;</li> <li>(b) amounts under a direct debit which are repaid to the bank making the payment if such a bank is unable to recoup that amount itself from the customer's account; or</li> <li>(c) payments by Borrowers of Early Repayment Fees and other charges due to the Seller,</li> </ul> <p>which amounts shall be paid on receipt by the LLP to the Seller from monies on deposit in the GIC Account;</p> |
| <b>"Title Deeds"</b>                        | <p>In relation to each Loan and its Related Security and the Property relating thereto, all conveyancing deeds and documents (if any) 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;</p>  |
| <b>"Tracker Loan"</b>                       | <p>A Loan where interest is linked to an interest rate other than the SVR, including any tracking rate differential (for example, the rate on a Tracker Loan may be set at a fixed margin above or below the base rate set from time to time by the Bank of England);</p>  |
| <b>"Tracker Rate"</b>                       | <p>The rate of interest applicable to a Tracker Loan;</p>  |
| <b>"Tranche"</b>                            | <p>An issue of Covered Bonds which are identical in all respects (including as to listing and admission to trading);</p>   |

**"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) each Interest Rate Swap Agreement;
- (i) each Covered Bond Swap Agreement;
- (j) Guaranteed Investment Contract;
- (k) Bank Account Agreement;
- (l) Corporate Services Agreement;
- (m) Deed of Charge (and any documents entered into pursuant to the Deed of Charge, including without limitation each Scottish Supplemental Charge and Scottish Sub-Security);
- (n) Trust Deed;
- (o) Agency Agreement;
- (p) Programme Agreement;
- (q) each of the Final Terms Documents (as applicable (i) in the case of each issue of listed Covered Bonds subscribed for 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 for pursuant to a subscription agreement);
- (s) Master Definitions and Construction Agreement; and
- (t) any other agreement or document from time to time designated as such by the Issuer, the LLP, the Bond Trustee and/or the Security Trustee;

**"Transfer Agent"**

Deutsche Bank Trust Company Americas, in its capacity as transfer agent (and any successor transfer agent);

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| <b>"Transfer Certificate"</b>                    | The meaning given in Condition 2.5(a) ( <i>Transfers of interests in Regulation S Global Covered Bonds in the United States or to U.S. persons</i> );   |
| <b>"Transfer Date"</b>                           | In respect of Money Market Covered Bonds, the date(s) specified as such in the relevant Final Terms Document;   |
| <b>"Transfer Price"</b>                          | In respect of each Money Market Covered Bond as at a Transfer Date, the Principal Amount Outstanding of such Money Market Covered Bond on that Transfer Date, following the application of Available Principal Receipts on such date;   |
| <b>"Trust Deed"</b>                              | The meaning given on page 174;  |
| <b>"U.K."</b>                                    | The United Kingdom of Great Britain and Northern Ireland;   |
| <b>"UK CRA Regulation"</b>                       | Regulation (EU) No. 1060/2009 of the European Parliament and of the Council as it forms part of U.K. domestic law by virtue of the EUWA;  |
| <b>"UK EMIR"</b>                                 | Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories dated 4 July 2012, as it forms part of U.K. domestic law by virtue of the EUWA;   |
| <b>"UK Prospectus Regulation"</b>                | Regulation (EU) 2017/1129 of the European Parliament and of the Council as it forms part of U.K. domestic law by virtue of the EUWA;  |
| <b>"Unfair Practices Directive"</b>              | The meaning given on page 236;  |
| <b>"U.S. "</b>                                   | The United States of America;   |
| <b>"U.S.-U.K. IGA"</b>                           | The agreement entered into between the U.S. and the U.K. in relation to FATCA;  |
| <b>"U.S. Dollar LIBOR or USD LIBOR"</b>          | LIBOR for U.S. dollars;   |
| <b>"U.S. Government Securities Business Day"</b> | The meaning given in Condition 4.2(b)(ii) ( <i>Screen Rate Determination for Floating Rate Covered Bonds</i> );   |
| <b>"UTCCR"</b>                                   | Unfair Terms in Consumer Contracts Regulations 1994 and Unfair Terms in Consumer Contracts Regulations 1999, each as amended;   |
| <b>"Valuation Report"</b>                        | The valuation report or reports for mortgage purposes, in the form of the pro forma report 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 of a Property made using a methodology which would be acceptable to a Reasonable, Prudent Mortgage Lender and which has been approved by the Director of Group Property and Survey of the Seller (or his successor); |

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| <b>"Valuer"</b>                    | An Associate or Fellow of the Royal Institute of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers who was at the relevant time either a member of a firm which was on the list of Valuers approved by or on behalf of the Seller from time to time or an Associate or Fellow of the Royal Institute of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers employed in-house by the Seller acting for the Seller in respect of the valuation of a Property; |
| <b>"Variable Rate Loan"</b>        | A Loan which is subject to a rate of interest which may at any time be varied in accordance with the relevant Mortgage Terms (excluding Fixed Rate Loans and Tracker Loans);   |
| <b>"VAT"</b>                       | Any tax imposed in compliance with the Value Added Tax Act 1994, or the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112) and any other tax of a similar nature, whether imposed in the UK or in a member state of the European Union in substitution for, or levied in addition to, such tax or imposed elsewhere;.   |
| <b>"Yield Shortfall Test"</b>      | The meaning given on page 188; and   |
| <b>"Zero Coupon Covered Bonds"</b> | Covered Bonds which will be offered and sold at a discount to their nominal amount and which will not bear interest.   |

## INDEX OF DEFINED TERMS

|  |                    |  |              |
|--|--------------------|--|--------------|
| \$.....  | xi, 272            | Annual Submission Date.....                            | 274          |
| £.....   | xi, 272            | applicable Final Terms Document.....                   | 106          |
| ¥.....   | 272                | Arranger.....  | 275          |
| €.....   | xi, 272            | Arrears Adjusted Outstanding Principal<br>Balance..... | 192, 275     |
| €STR.....  | i, 122, 272        | Arrears of Interest.....                               | 275          |
| €STR Index.....  | 123                | Article 50 Withdrawal Agreement.....                   | 78           |
| €STR Observation Period.....                                     | 122                | Asset Coverage Test.....                               | 275          |
| €STR reference rate.....   | 122                | Asset Coverage Test Breach Notice.....                 | 275          |
| 1999 Regulations.....  | 232, 272           | Asset Monitor.....                                     | 275          |
| 2010 Act.....  | 238                | Asset Monitor Agreement.....                           | 275          |
| 2012 Act.....  | 236                | Asset Percentage.....                                  | 194, 275     |
| 30/360.....  | 128, 272           | Asset Pool.....  | 275          |
| 30E/360.....   | 128, 272           | Asset Pool Monitor.....                                | 10, 189, 275 |
| 30E/360 (ISDA).....  | 129, 272           | Asset Pool Monitor Report.....                         | 275          |
| 360/360.....   | 128, 272           | Assignment Date.....                                   | 275          |
| 5th AMLD.....  | 170                | AST.....   | 229          |
| Abbey Standard Variable Rate.....                                | 272                | AT.....  | 229          |
| Abbey Subordinated Loan.....                                     | 190, 272           | Authorised Investments.....                            | 276          |
| Account Banks.....   | 272                | Available Principal Receipts.....                      | 276          |
| Accrual Period.....  | 127, 272           | Available Revenue Receipts.....                        | 277          |
| Accrual Yield.....   | 273                | Banco Santander.....                                   | ii, 164, 278 |
| Accrued Interest.....  | 273                | Banco Santander Group.....                             | ii, 278      |
| Act.....   | 273                | Bank Account Agreement.....                            | 278          |
| Actual/360.....  | 128, 273           | Bank of Spain.....                                     | 36           |
| Actual/365 (Fixed).....  | 128, 273           | Bank Rate.....   | 116, 177     |
| Actual/365 (Sterling).....                                       | 128, 273           | Banking Act.....                                       | 38, 278      |
| Actual/Actual.....   | 128                | Base Rate Modification.....                            | 149          |
| Actual/Actual (ICMA).....  | 127, 273           | Base Rate Modification Certificate.....                | 150          |
| Actual/Actual (ISDA).....  | 128                | Basel Committee.....                                   | 27, 278      |
| Actual/Actual or Actual/Actual (ISDA).....                       | 273                | Basel III.....   | 85           |
| Additional Business Centre.....                                  | 273                | BCBS.....  | 85           |
| adjusted.....  | 130                | Bearer Covered Bonds.....                              | 278          |
| Adjusted Aggregate Loan Amount.....                              | 191, 273           | Bearer Definitive Covered Bond.....                    | 278          |
| adjusted issue price.....  | 253                | Bearer Definitive Covered Bonds.....                   | 105          |
| Adjusted Outstanding Principal<br>Balance.....                   | 192, 273           | Bearer Global Covered Bond.....                        | 88           |
| Adjusted Required Redemption<br>Amount.....                      | 273                | Bearer Global Covered Bonds.....                       | 88, 279      |
| administering.....   | 225                | Benchmark.....   | 154          |
| Agency Agreement.....  | 105, 261, 263, 274 | Benchmark Replacement.....                             | 154          |
| Agents.....  | 105, 274           | Benchmark Replacement Adjustment.....                  | 154          |
| Aggregate Adjusted Outstanding<br>Principal Balance.....         | 192                | Benchmark Replacement Conforming<br>Changes.....       | 155          |
| Aggregate Arrears Adjusted<br>Outstanding Principal Balance..... | 192                | Benchmark Replacement Date.....                        | 155          |
| ALRB.....  | 27                 | Benchmark Replacement Date.....                        | 119          |
| Alternative Base Rate.....                                       | 149                | Benchmark Transition Event.....                        | 155          |
| Alternative Insurance Requirements.....                          | 274                | Benchmark Transition Event.....                        | 119          |
| Amendment Regulations.....                                       | 243                | Benchmark Transition Provisions.....                   | 119          |
| AML.....   | 39                 | Benchmarks Regulation.....                             | 279          |
| Amortisation Test.....   | 274                | Beneficial Owner.....                                  | 246, 279     |
| Amortisation Test Aggregate Loan<br>Amount.....                  | 195, 274           | billion.....   | xi           |
| Amortisation Test Outstanding<br>Principal Balance.....          | 195, 274           | bn.....  | xi           |
| Amortised Face Amount.....                                       | 140, 274           | BoE.....   | 22           |
|  |                    | Bond Basis.....  | 128, 272     |
|  |                    | Bond Trustee.....                                      | 105, 279     |
|  |                    | Borrower.....  | 279          |
|  |                    | Breathing Space Regulations.....                       | 237          |

|  |                    |  |             |
|--|--------------------|--|-------------|
| Broken Amount .....  | 279                | Coupons .....                                      | 106, 283    |
| BRRD .....   | 170, 279           | Cover Pool Swap.....                               | 202, 283    |
| Buildings Policies.....                                      | 279                | Covered Bond .....                                 | 283         |
| business day.....  | 132                | Covered Bond Guarantee .....                       | 111, 283    |
| Business Day .....   | 126, 279           | Covered Bond Swap .....                            | 283         |
| Business Day Convention.....                                 | 126, 279           | Covered Bond Swap Agreement.....                   | 283         |
| Calculation Agent.....                                       | 113, 280           | Covered Bond Swap Early Termination<br>Event ..... | 205, 283    |
| Calculation Amount .....                                     | 280                | Covered Bond Swap Provider.....                    | 283         |
| Calculation Date .....                                       | 280                | Covered Bond Swap Rate .....                       | 283         |
| Calculation Period .....                                     | 280                | Covered Bondholder .....                           | 108         |
| Capital Account Ledger.....                                  | 280                | Covered Bondholders.....                           | 106, 283    |
| Capital Contribution .....                                   | 280                | Covered Bonds.....                                 | i, 105, 283 |
| Capital Contribution in Kind.....                            | 280                | COVID-19 Payment Deferral Loan .....               | 60          |
| Capital Distribution .....                                   | 280                | CPR.....   | 234         |
| Capitalised Arrears .....                                    | 281                | CR Assessment .....                                | 51          |
| Capitalised Expenses.....                                    | 281                | CRA .....  | 232         |
| Capitalised Interest .....                                   | 281                | CRD IV .....                                       | 27          |
| Capped Rate Loan .....                                       | 281                | CRD IV Directive .....                             | 27          |
| Cash Capital Contribution .....                              | 281                | CRD V Directive.....                               | 27          |
| Cash Management Agreement .....                              | 281                | CRDIV / CRR.....                                   | 283         |
| Cash Manager.....  | 281                | CRM .....  | 37, 170     |
| CBTL.....  | 227                | CRR .....  | 27          |
| CCA.....   | 57, 281            | CRR 2 .....  | 27          |
| CCA 2006.....  | 230, 281           | CTF .....  | 39          |
| Certificate of Title .....                                   | 282                | Custodian .....                                    | 248, 283    |
| CET1 .....   | 27                 | Customer Files .....                               | 283         |
| CGT .....  | 229                | CVA.....   | 34          |
| CHAPS .....  | 37                 | Daily €STR .....                                   | 284         |
| Charged Property.....  | 207, 282           | Daily €STR .....                                   | 121         |
| CHF .....  | 282                | daily portions .....                               | 253         |
| CIB .....  | 164                | Daily SOFR.....                                    | 284         |
| Clearing Obligation .....                                    | 70                 | Daily SONIA .....                                  | 284         |
| Clearing Systems.....  | 282                | Day Count Fraction.....                            | 127, 284    |
| Clearstream, Luxembourg.....                                 | 88, 107, 282       | Dealer.....  | i, 284      |
| CMA.....   | 36, 59, 234        | Dealers .....                                      | i           |
| CMA Guidance.....  | 234                | Deed of Charge .....                               | 106, 284    |
| CML .....  | 282                | Deed of Consent.....                               | 284         |
| COBS .....   | 92                 | Deed of Postponement .....                         | 284         |
| Code .....   | vii, 130, 262, 263 | Defaulted Loan .....                               | 285         |
| Commission.....  | 282                | Deferred Consideration .....                       | 285         |
| Common Depository.....                                       | 88, 282            | Definitive Covered Bond .....                      | 285         |
| Common Safekeeper .....                                      | 88, 282            | Definitive Covered Bonds.....                      | 105         |
| Compounded Daily €STR .....                                  | 121, 122, 282      | Definitive Regulation S Covered Bond.....          | 110, 285    |
| Compounded Daily SOFR.....                                   | 117, 119, 282      | Definitive Rule 144A Covered Bond....              | 110, 285    |
| Compounded Daily SONIA .....                                 | 113, 115, 282      | Delayed Cashback.....                              | 285         |
| Compounded SOFR .....  | 156                | Delegated Regulation.....                          | 1           |
| Conditional Purchase Agreement .....                         | 258, 282           | Dematerialised Loan .....                          | 285         |
| Conditional Purchase Confirmation .....                      | 282                | Depositor Set-off Determination Date ..            | 194, 285    |
| Conditional Purchaser .....                                  | 14, 258, 282       | Depositor Set-off Percentage .....                 | 194, 285    |
| Conditional Purchaser Obligation<br>Termination Events ..... | 15, 259, 282       | Designated Account .....                           | 132, 285    |
| Conditions .....   | 106                | Designated Bank .....                              | 132, 285    |
| CONSOB.....  | 267                | Designated Maturity.....                           | 113, 285    |
| Consumer Buy-to-let Loan.....                                | 227                | Designated Member .....                            | 190, 285    |
| Contingent Debt Obligations.....                             | 254                | Designated Members .....                           | 190         |
| Contingent Payment Regulations .....                         | 254                | Designated Transaction Representative .....        | 156         |
| Corporate Services Agreement.....                            | 282                | determination date.....                            | 281, 302    |
| Corporate Services Provider.....                             | 282                | Determination Date .....                           | 285         |
| Corresponding Tenor.....                                     | 156                | Determination Period .....                         | 129, 286    |
| Couponholders.....   | 106, 283           | Direct Participants.....                           | 246, 286    |



|   |                      |   |          |
|---|----------------------|---|----------|
| Directors .....                                       | 286                  | Extraordinary Resolution .....                      | 289      |
| disqualified persons .....                            | 257                  | FATCA .....   | 289      |
| Distribution Compliance Period ...                    | 110, 264, 286        | FC+s.....   | 70       |
| DM Regulations .....                                  | 239                  | FCA.....  | i, 289   |
| Dodd-Frank Act.....                                   | 286                  | FCA COVID-19 Payment Deferral<br>Guidance .....     | 60       |
| Drawdown Prospectus.....                              | v                    | FCA Payment Deferral Guidance .....                 | 231      |
| DTC .....   | 107, 286             | FCA Register .....                                  | 67       |
| DTC Covered Bonds .....                               | 286                  | FCs.....  | 70       |
| DTC Rules.....  | 286                  | FC-s.....   | 70       |
| DTCC .....  | 71                   | Federal Reserve.....                                | 71       |
| Due for Payment.....                                  | 286                  | Federal Reserve Bank of New York's<br>website ..... | 156      |
| Earliest Maturing Covered Bonds .....                 | 287                  | FFVA .....  | 34       |
| Early Redemption Amount.....                          | 287                  | FICC .....  | 71       |
| Early Repayment Fee .....                             | 287                  | FIEA .....  | 266      |
| ECB .....   | 36, 287              | Final Maturity Date.....                            | 289      |
| ECL .....   | 23                   | Final Redemption Amount.....                        | 289      |
| EEA .....   | v, 92                | Final Terms Document .....                          | i, 289   |
| EEA distributor.....                                  | iv, 92               | Financial Services Act .....                        | 266, 289 |
| Effective Date.....                                   | 287                  | First Assignment Date.....                          | 290      |
| Eligibility Criteria.....                             | 176, 288             | Fitch .....   | i, 290   |
| Eligible Securities.....                              | 14                   | Fixed Coupon Amount.....                            | 290      |
| EMIR Related Modifications .....                      | 75, 149              | Fixed Interest Period .....                         | 129      |
| English Loan .....                                    | 288                  | Fixed Rate Covered Bonds .....                      | 290      |
| Enlarged Santander UK Group.....                      | 288                  | Fixed Rate Loans .....                              | 290      |
| EPC .....   | 229                  | Flexible Draw Capacity .....                        | 195, 290 |
| ERISA .....   | 257, 262, 263        | Flexible Loan .....                                 | 290      |
| ERISA Plans.....                                      | 257                  | Flexible Loan Drawing .....                         | 290      |
| ESMA.....   | i                    | Flexible Plus Loans.....                            | 290      |
| ESMA Register.....                                    | v, 67                | Floating Rate.....                                  | 113, 290 |
| Established Rate .....                                | 136                  | Floating Rate Convention .....                      | 127, 290 |
| EU .....  | 288                  | Floating Rate Covered Bonds .....                   | 290      |
| EU Benchmarks Regulation .....                        | i                    | Floating Rate Option.....                           | 113, 291 |
| EU CRA Regulation .....                               | i, 288               | Following Business Day Convention... 127, 291       |          |
| EU CRR.....   | 86                   | Foreign Currency Covered Bond .....                 | 251      |
| EU EMIR.....  | 69, 149, 288, 319    | Forward Starting Covered Bond Swap . 204, 291       |          |
| EU PRIIPs Regulation.....                             | v, 92                | FOS .....   | 41, 291  |
| EU Prospectus Regulation.....                         | 12                   | FPC .....   | 27       |
| EURIBOR .....   | 288                  | FS Act .....  | 27       |
| euro.....   | xi, 136, 272         | FSA .....   | 291      |
| Euro .....  | 272                  | FSCS .....  | 291      |
| Eurobond Basis.....                                   | 128, 272             | FSMA .....  | i, 291   |
| Euroclear .....                                       | 88, 107, 288         | Further Advance.....                                | 291      |
| EUWA .....  | i, 92, 288           | GDPR.....   | 37       |
| Excess Proceeds .....                                 | 144, 288             | GIC .....   | 206      |
| Exchange Act .....                                    | viii, 288            | GIC Account .....                                   | 291      |
| Exchange Agent .....                                  | 105, 288             | GIC Provider.....                                   | 291      |
| Exchange Date.....                                    | 88, 288              | GIC Swap Balance.....                               | 203      |
| Exchange Event.....                                   | 89, 90, 288          | Global Covered Bond .....                           | 105, 291 |
| Exchange Notice.....                                  | 135                  | G-SIBs .....  | 27       |
| Excluded Scheduled Interest Amounts. 288, 310         |                      | Guarantee.....                                      | 292      |
| Excluded Scheduled Principal Amounts<br>.....         | 288, 310             | Guarantee Priority of Payments .....                | 218, 292 |
| Excluded Swap Termination Amount .....                | 288                  | Guaranteed Amounts .....                            | 291      |
| Existing Interest Rate Swaps .....                    | 202                  | Guaranteed Amounts Due Date .....                   | 173, 292 |
| Existing Rating Agency Reappointment<br>.....         | 18, 52, 75, 152, 289 | Guaranteed Investment Contract or GIC<br>.....      | 292      |
| Existing Rating Agency Removal18, 52, 75,<br>152, 289 |                      | Guarantor .....                                     | 292      |
| Extended Due for Payment Date .....                   | 289                  | HA 1988.....  | 229      |
| Extension Determination Date .....                    | 289                  | Halifax Price Index .....                           | 292      |

|  |                      |   |                    |
|--|----------------------|---|--------------------|
| Halifax Price Indexed Valuation .....  | 292                  | Late Payment .....                        | 141, 296           |
| Hard Bullet Covered Bonds.....         | 210, 292             | Late Payment Date.....                    | 141                |
| High Loan-to-Value Fee.....            | 292                  | Latest Valuation.....                     | 296                |
| HMRC .....                             | 41, 250, 256         | LBD .....                                 | 114, 115, 177, 298 |
| holder of Covered Bonds.....           | 108                  | LBTT .....                                | 228                |
| Holding Company .....                  | 292                  | LCR.....                                  | 296                |
| Holdings .....                         | 292                  | Ledger.....                               | 296                |
| HRTCs.....                             | 171                  | Lending Criteria.....                     | 296                |
| IASB.....                              | xi, 292              | LIBOR .....                               | 296                |
| IBORs.....                             | 67                   | Liquidation Member .....                  | 11, 167, 296       |
| ICSDs.....                             | 207                  | LLP .....                                 | i, 105, 167, 297   |
| IFRIC.....                             | xi, 292              | LLP Acceleration Notice .....             | 144, 297           |
| IFRS .....                             | xi, 293              | LLP Accounts .....                        | 297                |
| Indexed Valuation .....                | 293                  | LLP Deed.....                             | 190, 297           |
| Indirect Participants.....             | 246, 293             | LLP Event of Default.....                 | 144, 297           |
| Initial Advance .....                  | 293                  | LLP Management Board.....                 | 297                |
| Initial Portfolio .....                | 242, 293             | LLP Payment Date.....                     | 297                |
| Insolvency Act.....                    | 293                  | LLP Payment Period .....                  | 297                |
| Insolvency Event .....                 | 293                  | LLP Standard Variable Rate .....          | 297                |
| Instalment Amounts .....               | 294                  | LLPA .....                                | 83, 245, 297       |
| Instalment Covered Bonds .....         | 294                  | Loan .....                                | 297                |
| Instalment Dates .....                 | 294                  | Loan Repurchase Notice .....              | 298                |
| Insurance Distribution Directive ..... | v, 92, 265           | Loan-to-Value Ratio .....                 | 298                |
| Insurance Policies.....                | 294                  | London Business Day .....                 | 114, 115, 177, 298 |
| Intercompany Loan Agreement.....       | 294                  | London Stock Exchange .....               | i, 298             |
| Interest Amount.....                   | 125, 294             | Long Maturity Covered Bond.....           | 131, 298           |
| Interest Commencement Date .....       | 294                  | LSB .....                                 | 36                 |
| Interest Determination Date .....      | 295                  | m .....                                   | xi                 |
| Interest Payment Date .....            | 112, 295             | main market of the London Stock           |                    |
| Interest Period.....                   | 129, 295             | Exchange.....                             | i                  |
| Interest Rate Shortfall Test.....      | 186, 295             | Mandatory Transfer Termination Event..... | 298                |
| Interest Rate Swap Agreement .....     | 295                  | Margin.....                               | 298                |
| Interest Rate Swap Early Termination   |                      | Margin Obligation.....                    | 70                 |
| Event.....                             | 203, 295             | market discount.....                      | 255                |
| Interest Rate Swap Provider .....      | 295                  | Master Definitions and Construction       |                    |
| Interest Rate Swaps .....              | 295                  | Agreement.....                            | 107, 298           |
| Interpolated Benchmark .....           | 156                  | Maximum Rate of Interest .....            | 298                |
| Investment Company Act.....            | vii, 14, 295, 299    | Maximum Redemption Amount .....           | 298                |
| Investor Put .....                     | 138, 295             | MCOB.....                                 | 226, 298           |
| Investor Report.....                   | 295                  | Member.....                               | 190, 298           |
| Investor's Currency.....               | 49                   | Members .....                             | 190                |
| IOSCO Principles .....                 | 66                   | MH/CP Documentation .....                 | 299                |
| IRS.....                               | 251, 295             | MiFID II.....                             | iv, 92             |
| ISDA.....                              | 296                  | MiFID Product Governance Rules.....       | iv                 |
| ISDA Definitions.....                  | 112, 157, 296        | million.....                              | xi                 |
| ISDA Determination.....                | 296                  | Minimum Rate of Interest.....             | 299                |
| ISDA Fallback Adjustment .....         | 157                  | Minimum Redemption Amount.....            | 299                |
| ISDA Fallback Rate.....                | 157                  | MLRs .....                                | 171                |
| ISDA Master Agreement.....             | 296                  | Modified Following Business Day           |                    |
| ISDA Rate .....                        | 112, 296             | Convention.....                           | 127, 299           |
| Issue Date .....                       | 296                  | Modified Preceding Business Day           |                    |
| issue price.....                       | 252                  | Convention.....                           | 127                |
| Issue Price .....                      | 296                  | Money Market Covered Bonds.....           | 14, 299            |
| Issuer .....                           | i, ii, 105, 164, 296 | Monthly Asset Coverage Report.....        | 299                |
| Issuer Acceleration Notice .....       | 143, 272             | Monthly Payment.....                      | 299                |
| Issuer Call.....                       | 296                  | Monthly Payment Day .....                 | 299                |
| Issuer Event of Default.....           | 143, 272             | Moody's.....                              | i, 299             |
| ITA 2007 .....                         | 250                  | Mortgage.....                             | 299                |
| Italian Banking Act .....              | 267, 296             | Mortgage Account .....                    | 299                |
| JPY .....                              | 272                  | Mortgage Conditions .....                 | 299                |

|  |          |   |                      |
|--|----------|---|----------------------|
| Mortgage Credit Directive Order .....    | 226      | Portfolio .....                             | 242, 302             |
| Mortgage Pool .....                      | 299      | Post-Enforcement Priority of Payments       | 222, 302             |
| Mortgage Sale Agreement .....            | 299      | Post-Perfection SVR-SONIA Margin ...        | 188, 302             |
| Mortgage Terms .....                     | 300      | Postponed Deferred Consideration .....      | 302                  |
| MoU .....                                | 234      | Potential Issuer Event of Default .....     | 160, 303             |
| MREL .....                               | 28       | Potential LLP Event of Default .....        | 160, 303             |
| N Covered Bond Conditions .....          | 300      | PPI .....                                   | 42                   |
| N Covered Bonds .....                    | 12, 300  | PRA .....                                   | 303                  |
| N(M) .....                               | 300      | Pre-Acceleration Principal Priority of      |                      |
| Nationwide Price Index .....             | 300      | Payments .....                              | 216, 303             |
| Nationwide Price Indexed Valuation ..... | 300      | Pre-Acceleration Priority of Payments ..... | 303                  |
| NCA .....                                | 41       | Pre-Acceleration Revenue Priority of        |                      |
| Negative Carry Factor .....              | 194, 300 | Payments .....                              | 213, 303             |
| New Global Covered Bond .....            | 300      | Preceding Business Day Convention ...       | 127, 303             |
| New Loan .....                           | 300      | Pre-Maturity Liquidity Ledger .....         | 303                  |
| New Loan Type .....                      | 300      | Pre-Maturity Test .....                     | 210, 303             |
| New Member .....                         | 300      | Pre-Maturity Test Date .....                | 210, 303             |
| New Mortgage Sale Agreement .....        | 300      | Pricing Supplement .....                    | 303                  |
| New Portfolio .....                      | 242, 301 | Principal Amount Outstanding .....          | 129, 303             |
| New Portfolio Notice .....               | 301      | Principal Ledger .....                      | 303                  |
| New Seller .....                         | 301      | Principal Paying Agent .....                | 105, 304             |
| New Seller Loans .....                   | 301      | Principal Receipts .....                    | 304                  |
| NFC+s .....                              | 70       | Priorities of Payments .....                | 304                  |
| NFCs .....                               | 70       | Product Switch .....                        | 183, 304             |
| NFC-s .....                              | 70       | Programme .....                             | i, 304               |
| NGCB .....                               | 88, 301  | Programme Agreement .....                   | 260, 304             |
| NI 45-106 .....                          | 265      | Programme Date .....                        | 105, 304             |
| NIBOR .....                              | i, 301   | Programme Resolution .....                  | 148, 304             |
| Non-Forward Starting Covered Bond        |          | Property .....                              | 305                  |
| Swap .....                               | 204, 301 | Prospectus .....                            | i                    |
| Northern Irish Loan .....                | 301      | Prospectus Regulation .....                 | 305                  |
| not adjusted .....                       | 130      | PSD2 .....                                  | 37, 170              |
| Notice to Pay .....                      | 143, 301 | PSR .....                                   | 36                   |
| NSFR .....                               | 28, 301  | PTCE .....                                  | 257                  |
| October Guidance .....                   | 64, 240  | Purchaser .....                             | 305                  |
| Offer Conditions .....                   | 301      | Put Notice .....                            | 139, 305             |
| Official List .....                      | i, 301   | QIB .....                                   | 110, 305             |
| OFSI .....                               | 41       | QIBs .....                                  | iv                   |
| OFT .....                                | 301      | qualified professional asset manager .....  | 257                  |
| OID .....                                | 251      | qualified stated interest .....             | 253                  |
| OID Regulations .....                    | 253      | RAO .....                                   | 225                  |
| Omnibus Proxy .....                      | 247, 301 | Rate of Interest .....                      | 136, 305             |
| Optional Redemption Amount .....         | 301      | Rating Agencies .....                       | 17, 18, 305          |
| Optional Redemption Date .....           | 302      | Rating Agency .....                         | 17, 19, 305          |
| Original Due for Payment Date .....      | 286, 302 | Rating Agency Confirmation .....            | 52, 161, 305         |
| Original Issue Discount Covered Bonds    |          | Ratings Modification Event                  | 18, 52, 76, 152, 305 |
| .....                                    | 252      | RCB Regulations .....                       | i, 243, 305          |
| O-SII .....                              | 27       | RCB Sourcebook .....                        | 243, 305             |
| OTC derivatives .....                    | 69, 302  | Reasonable, Prudent Mortgage Lender .....   | 305                  |
| Outstanding Principal Balance .....      | 302      | Receipholders .....                         | 106, 305             |
| Partial Portfolio .....                  | 302      | Receipts .....                              | 106, 305             |
| parties in interest .....                | 257      | Receiver .....                              | 305                  |
| Paying Agents .....                      | 105, 302 | Record Date .....                           | 132, 306             |
| Payment Day .....                        | 133, 302 | Redeemed Covered Bonds .....                | 138, 306             |
| Payment Holiday .....                    | 302      | Redenomination Date .....                   | 136                  |
| Payment Ledger .....                     | 302      | Reference Index Valuation .....             | 306                  |
| PD 55C .....                             | 237      | Reference Price .....                       | 306                  |
| Permanent Global Covered Bond .....      | 88, 302  | Reference Rate .....                        | 149, 306             |
| Plan Asset Regulation .....              | 258      | Reference Time .....                        | 157                  |
| Plans .....                              | 257      | Register .....                              | 132, 306             |

|   |                 |  |                       |
|---|-----------------|--|-----------------------|
| Registered Covered Bond.....              | 306             | Scottish Mortgage .....                  | 311                   |
| Registered Definitive Covered Bond.....   | 306             | Scottish Sasine Sub Security .....       | 236                   |
| Registered Definitive Covered Bonds ..... | 105             | Scottish Sasine Transfer.....            | 236                   |
| Registered Global Covered Bonds .....     | 90, 306         | Scottish Sub-Security.....               | 311                   |
| Registered Land.....                      | 306             | Scottish Supplemental Charge .....       | 311                   |
| Registers of Scotland.....                | 307             | Screen Rate Determination .....          | 311                   |
| Registrar .....                           | 105, 307        | SDLT .....                               | 228                   |
| Regulated Covered Bonds .....             | 307             | SEC .....                                | vii                   |
| Regulated Credit Agreement .....          | 227             | Secured Creditors.....                   | 311                   |
| Regulated Mortgage Contract.....          | 307             | Securities Act.....                      | i, 111, 261, 262, 311 |
| Regulation Effective Date .....           | 225             | Securities and Exchange Law .....        | 311                   |
| Regulation No. 11971.....                 | 267             | Security .....                           | 207, 311              |
| Regulation S .....                        | iv, 110, 307    | Security Trustee .....                   | 105, 311              |
| Regulation S Covered Bond .....           | 110, 264, 307   | Selected Loan Offer Notice.....          | 311                   |
| Regulation S Global Covered Bond .....    | 89, 111, 307    | Selected Loan Repurchase Notice.....     | 311                   |
| Related Person.....                       | 225             | Selected Loans .....                     | 311                   |
| Related Security .....                    | 307             | Selection Date .....                     | 138, 312              |
| Relevant Date .....                       | 142, 307        | Seller .....                             | 312                   |
| relevant Dealer(s).....                   | i               | Series.....                              | 106, 312              |
| Relevant Governmental Body .....          | 157             | Series Reserved Matter .....             | 312                   |
| Relevant LLP Payment Period .....         | 186             | Servicer .....                           | 313                   |
| Relevant Period .....                     | 77, 158, 307    | Servicer Event of Default.....           | 188, 313              |
| Relevant Screen Page .....                | 307             | Servicer Termination Event .....         | 188, 313              |
| relevant Series of Covered Bonds .....    | 50              | Servicing Agreement .....                | 313                   |
| Relevant SONIA Rate .....                 | 177             | SFO .....                                | 41                    |
| remaining redemption amount.....          | 254             | Share Trustee .....                      | 313                   |
| Remarketing Agreement.....                | 258, 307        | Short-Term Covered Bonds .....           | 255                   |
| Remarketing Bank.....                     | 14, 258, 308    | Similar Law.....                         | 257                   |
| Remarketing Period.....                   | 308             | SMEs.....                                | 313                   |
| Removed Rating Agency.....                | 18, 52, 75, 152 | SOFR .....                               | i, 118, 157, 313      |
| Renting Homes Act .....                   | 239             | SOFR Administrator .....                 | 118, 120              |
| Representations and Warranties .....      | 308             | SOFR Administrator's Website.....        | 118, 120              |
| Required Outstanding Principal            |                 | SOFR Determination Time .....            | 118                   |
| Balance Amount.....                       | 197, 308        | SOFR Index .....                         | 119, 120              |
| Required Redemption Amount.....           | 198, 308        | SOFR Observation Period.....             | 118                   |
| Reserve Fund.....                         | 308             | SOFR reference rate.....                 | 118                   |
| Reserve Fund Required Amount .....        | 308             | SONIA .....                              | i, 114, 313           |
| Reserve Ledger.....                       | 309             | SONIA Index .....                        | 115                   |
| Reset Date .....                          | 113, 309        | SONIA Observation Period .....           | 114                   |
| Responsible Persons .....                 | iii, 309        | SONIA reference rate .....               | 114, 177              |
| Restructuring Plan .....                  | 82              | SONIA Screen Page.....                   | 313                   |
| Revenue Ledger.....                       | 309             | SONIA Spot Rate.....                     | 313                   |
| Revenue Receipts .....                    | 309             | SONIAi .....                             | 177                   |
| Reward Cashback.....                      | 309             | Specified Currency.....                  | 313                   |
| Reward Loan .....                         | 309             | Specified Denomination.....              | 314                   |
| Risk Mitigation Requirements.....         | 70              | Specified Interest Payment Date .....    | 314                   |
| RNS website .....                         | i               | Specified Period .....                   | 314                   |
| RNS Website .....                         | 309             | Specified Time .....                     | 314                   |
| RTGS.....                                 | 37, 170         | SRB .....                                | 27                    |
| Rule 144A .....                           | iv, 111, 309    | SRR.....                                 | 83                    |
| Rule 144A Covered Bond .....              | 111, 309        | Stabilising Manager(s) .....             | vi                    |
| Rule 144A Global Covered Bond... ..       | 90, 111, 309    | Standard Documentation.....              | 314                   |
| S&P .....                                 | i, 309          | Standard Variable Rate .....             | 314                   |
| Santander UK .....                        | ii, 309         | stated redemption price at maturity..... | 252                   |
| Santander UK Group .....                  | ii, 309         | Sterling.....                            | xi, 272               |
| Scheduled Interest .....                  | 310             | Sterling Equivalent.....                 | 314                   |
| Scheduled Payment Date .....              | 310             | Subsidiary .....                         | 314                   |
| Scheduled Principal.....                  | 310             | Substitution Assets.....                 | 314                   |
| Scottish Declaration of Trust.....        | 310             | sub-unit .....                           | 130, 315              |
| Scottish Loan.....                        | 311             |  |                       |

|  |               |  |               |
|--|---------------|--|---------------|
| Supplemental Liquidity Available Amount..... | 198, 315      | Trade and Cooperation Agreement.....         | 78            |
| Supplemental Liquidity Event.....            | 197, 210, 315 | Tranche .....                                | 106, 317      |
| Supplemental Liquidity Reserve Amount.....   | 195, 315      | Transaction Documents .....                  | 318           |
| Supplemental Liquidity Reserve Ledger .....  | 195, 315      | Transfer Agent .....                         | 318           |
| SVR.....                                     | 315           | Transfer Agents.....                         | 105           |
| Swap .....                                   | 316           | Transfer Certificate .....                   | 109, 319      |
| Swap Agreement .....                         | 315           | Transfer Date .....                          | 14, 258, 319  |
| Swap Agreements.....                         | 315           | Transfer Price.....                          | 319           |
| Swap Calculation Date .....                  | 178, 315      | Transition Period.....                       | 23            |
| Swap Calculation Period .....                | 178           | Treaty .....                                 | 136           |
| Swap Collateral .....                        | 315           | Trust Deed.....                              | 105, 319      |
| Swap Collateral Accounts .....               | 315           | U.K.....                                     | i, 92, 319    |
| Swap Collateral Available Amounts .....      | 316           | U.S. ....                                    | 319           |
| Swap Collateral Excluded Amounts.....        | 316           | U.S. Dollar LIBOR .....                      | 319           |
| Swap Payment Date.....                       | 178           | U.S. dollars .....                           | xi            |
| Swap Payments Accounts.....                  | 316           | U.S. Dollars.....                            | 272           |
| Swap Provider .....                          | 316           | U.S. Government Securities Business Day..... | 119, 120, 319 |
| Swap Provider Default .....                  | 316           | U.S. holder .....                            | 250           |
| Swap Provider Downgrade Event.....           | 316           | U.S.\$ .....                                 | xi, 272       |
| Swap Providers.....                          | 316           | U.S.-U.K. IGA .....                          | 319           |
| Swap Reference Period.....                   | 178           | UCITS Directive .....                        | 243           |
| Swaps .....                                  | 316           | UK Benchmarks Regulation .....               | i             |
| Swiss Franc .....                            | 282           | UK CRA Regulation .....                      | i, 319        |
| Tailored Support Guidance.....               | 231           | UK distributor .....                         | iv, 92        |
| Talons .....                                 | 106, 316      | UK EMIR.....                                 | 70, 149       |
| TARGET Business Day .....                    | 123           | UK MiFIR.....                                | i, 92         |
| TARGET System .....                          | 126           | UK MiFIR Product Governance Rules .....      | iv, 92        |
| TARGET2 System .....                         | 316           | UK PRIIPs Regulation.....                    | iv, 92        |
| Tax.....                                     | 317           | UK Prospectus Regulation.....                | i, 93, 319    |
| Tax Credit.....                              | 316           | UK Register .....                            | v             |
| Taxation.....                                | 317           | UK Sanctions and AML Act.....                | 171           |
| Taxes .....                                  | 316           | Unadjusted Benchmark Replacement .....       | 157           |
| TBDx.....                                    | 122           | Unfair Practices Directive.....              | 235, 319      |
| Temporary Global Covered Bond .....          | 88, 317       | US – U.K. IGA .....                          | 256           |
| Term Advance .....                           | 317           | USBDB.....                                   | 119, 120      |
| Term SOFR .....                              | 157           | UTCCR .....                                  | 232, 319      |
| Terms and Conditions .....                   | 93, 106       | Valuation Report.....                        | 319           |
| Terms and Conditions or Conditions.....      | 317           | Valuer .....                                 | 320           |
| TFSME .....                                  | 29            | variable rate debt instruments .....         | 254           |
| The Pensions Regulator.....                  | 317           | Variable Rate Loan .....                     | 320           |
| Third Party Amounts .....                    | 317           | VAT .....                                    | 320           |
| Title Deeds .....                            | 317           | Volcker Rule .....                           | vii           |
| Tracker Loan .....                           | 317           | WLTT .....                                   | 228           |
| Tracker Rate .....                           | 317           | Yen.....                                     | 272           |
| Tradable Amount.....                         | 102           | Yield Shortfall Test.....                    | 187, 320      |
|  |               | yield to maturity .....                      | 253           |
|  |               | Zero Coupon Covered Bonds.....               | 320           |

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